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WASHINGTON COUNTY BOARD OF EDUCATION

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2026

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**WASHINGTON COUNTY BOARD OF EDUCATION
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YEAR ENDED JUNE 30, 2026**

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INDEPENDENT AUDITORS' REPORT

Members of the Board
Washington County Board of Education
Hagerstown, Maryland

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Washington County Board of Education (the School System), a component unit of Washington County, Maryland as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the School System, as of June 30, 2026, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School System's basic financial statements. The combining fund financial statements, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2026, on our consideration of the School System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 17, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Washington County Board of Education's (School System) annual financial report presents a discussion and analysis, prepared by the School System's senior financial management, of the financial performance for the fiscal year ended June 30, 2026. Please read it in conjunction with the basic financial statements that follow this section.

Overview of the Financial Statements

The basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. Each provides a different view of the School System, and together they present a complete picture of its finances.

Government-Wide Financial Statements

The government-wide statements report on the School System as a whole using the accrual basis of accounting and the economic resources measurement focus, similar to a private-sector business. The statement of net position reports all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term. The statement of activities reports all revenues and expenses of the year regardless of when cash is received or paid. Over time, increases or decreases in net position are an indicator of whether the School System's financial position is improving or deteriorating. Activities are divided between governmental activities — the School System's basic services, financed primarily by County appropriations, State formula aid, and grants — and business-type activities, consisting of School Food Service, which is financed primarily by user charges and federal meal reimbursements.

Fund Financial Statements

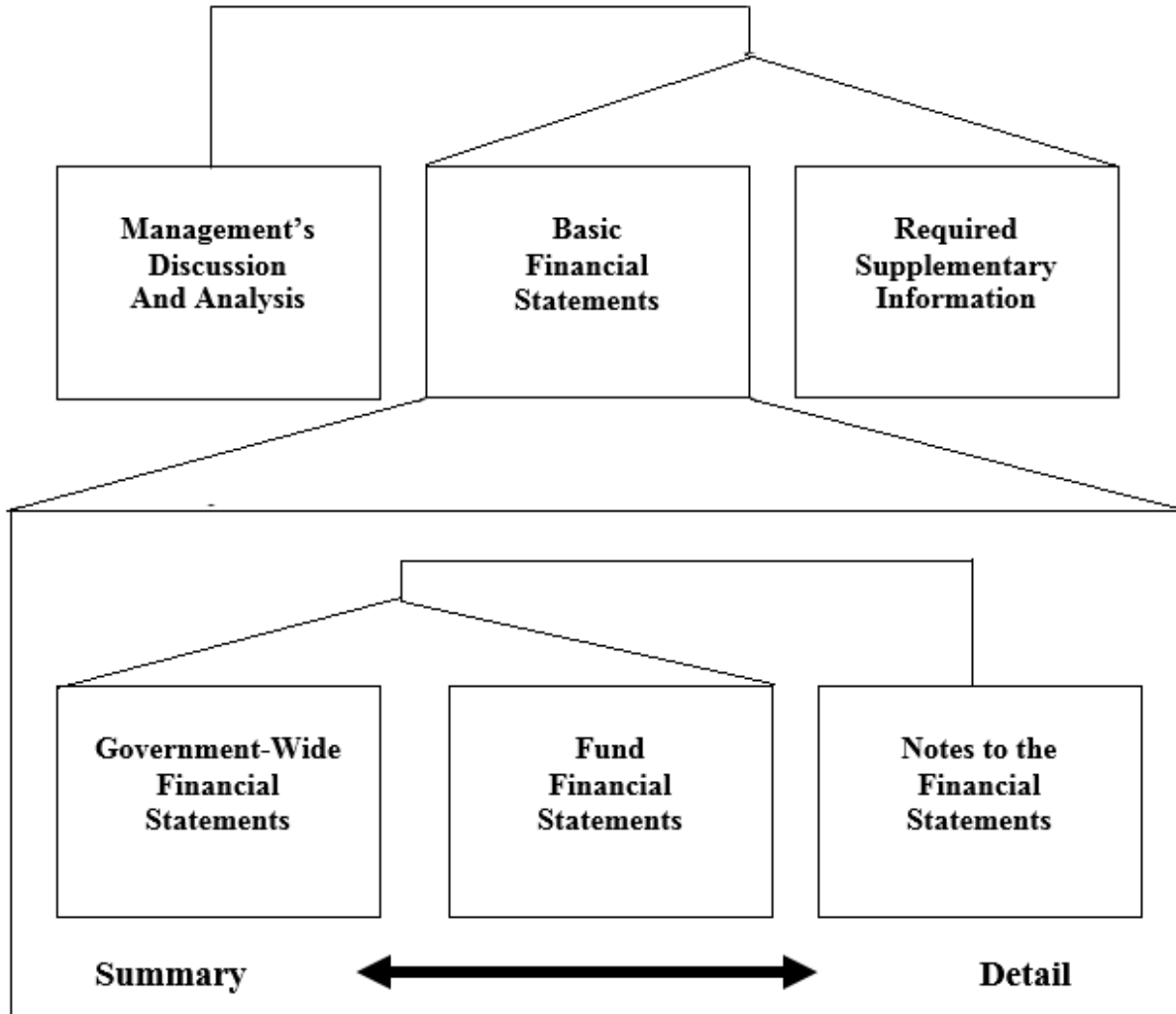
The fund financial statements report on the School System's individual major funds rather than the School System as a whole. Governmental funds are reported using the modified accrual basis and the current financial resources measurement focus; they present a short-term view of the resources available for spending and are therefore accompanied by reconciliations to the government-wide statements. Proprietary funds — the Food Services enterprise fund and the Self-Insurance internal service fund — are reported on the same basis as the government-wide statements and include a statement of cash flows. Fiduciary funds report resources held in a trustee or custodial capacity, such as the Retiree Health Plan Trust; these resources cannot be used to support the School System's own programs and are therefore excluded from the government-wide statements.

Notes and Required Supplementary Information

The notes to the financial statements provide additional detail essential to a full understanding of the statements. The basic financial statements are followed by required supplementary information, which includes the budgetary comparison schedules for the General Fund, together with the required variance columns and the notes explaining significant budgetary variations, and the pension and other postemployment benefit schedules.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

Figure 1: Organization of the Washington County Public Schools Annual Financial Report



Financial Summary

The following summarizes the School System's financial position and results of operations for the fiscal year ended June 30, 2026, compared with the prior year.

- Total net position increased \$3.1 million from the prior year.
- Total revenues were \$503.1 million, consisting of local funding (25.4%), State funding (62.0%), federal funding (8.1%), and charges for services and other sources (4.5%).
- The total cost of all programs and services was \$500.1 million, an increase of 7.5% over the prior year. Net cost requiring general revenue funding increased 6.6% to \$356.1 million.
- Governmental activities net position increased \$4.3 million; business-type activities (School Food Service) net position decreased \$1.3 million.
- Governmental funds reported combined ending fund balances of \$42.8 million, compared with \$42.3 million in the prior year.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

- The Self-Insurance internal service fund ended the year with a deficit net position of (\$4.6) million, compared with a positive \$2.5 million at the beginning of the year.
- Capital assets, net of accumulated depreciation and related debt, totaled \$246.8 million, an increase of \$6.4 million, or 2.7%.

Financial Analysis of the School System as a Whole (Government-Wide)

Net Position: The School System's *combined* net position was higher on June 30, 2026, than it was on the previous year's financial statements, increasing by \$3.1 million. (See Figure 2).

Figure 2: Condensed Statement of Net Position (in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total School System	
	2026	2025	2026	2025	2026	2025
Current assets	\$ 88.30	\$ 89.6	\$ 6.5	\$ 7.1	\$ 94.9	\$ 96.7
Capital assets	243.6	237.0	3.1	3.3	246.8	240.2
Deferred outflows of resources	107.1	118.0	4.3	4.3	111.5	122.3
Total Assets and Deferred Outflows of Resources	439.1	444.5	14.0	14.7	453.1	459.2
Current Liabilities	58.0	53.4	0.5	0.4	\$ 58.5	\$ 53.8
Noncurrent liabilities	220.9	248.5	9.8	9.9	230.7	258.4
Deferred inflows of resources	119.5	106.4	3.2	2.6	122.7	108.9
Total Liabilities and Deferred Inflows of Resources	398.4	408.2	13.5	12.9	411.9	421.1
Net Position						
Net Investment in capital assets	240.0	234.1	3.1	3.2	243.1	237.3
Restricted	0.4	2.9	-	-	0.4	2.9
Unrestricted	(199.7)	(200.7)	(2.6)	(1.4)	(202.3)	(202.1)
Total Net Position	\$ 40.70	\$ 36.30	\$ 0.50	\$ 1.80	\$ 41.20	\$ 38.10

Note: Amounts are expressed in millions and each line is rounded independently from the underlying dollar amounts. Accordingly, individual line items may not sum precisely to the totals presented, and totals may differ by \$0.1 - \$0.2 million. Totals as presented are the accurate rounded amounts. Beginning and ending net position in Figure 3 articulate directly to total net position in Figure 2.

Change in Net Position: The School System's total revenues were \$503.1 million (See Figure 3). Local funding amounted to 25.4%. State and federal funding amounted to 62.0% and 8.1%, respectively. The remaining 4.5% came from fees charged for services and other miscellaneous sources (See Figure 4).

The total cost of all programs and services was 7.5% higher than last year at \$500.1 million. The School System's expenses, as shown graphically in Figure 5, are predominately related to instructing, caring for and transporting students (51.4%). Administrative and business activities accounted for 1.9%, while employee benefits, the majority of which are related to personnel who provide direct student services, represented 28.1% of the total cost. Another 14.5% of the total expenditures is used to operate and maintain the School System's 47 school sites and associated relocatable buildings. Major cost increases in fiscal year 2026 included student health services, operation & maintenance of plant, and employee benefits.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

Figure 3: Changes in Net Position from Operating Results (in millions of dollars)						
	Governmental Activities		Business-Type Activities		Total School System	
	2026	2025	2026	2025	2026	2025
Revenues						
Program revenues						
Charges for services	\$15.5	\$15.1	\$1.7	\$2.1	17	17.2
Operating grants & contributions	109.6	98.2	15.4	14.7	125	112.9
Capital grants & contributions	-	-	-	-	-	-
General revenues	-	-	-	-	-	-
Local appropriation	126.9	114.5	-	-	127	114.5
State aid	230.1	207.9	-	-	230	207.9
Other and Transfers	3.5	5.4	0.4	0.5	4	5.9
Total Revenues	485.6	441.1	17.5	17.4	503.1	458.5
Expenses						
Instruction & leadership	\$227.1	\$221.0	-	-	\$227.1	\$221.0
Student personnel & health services	13.3	\$11.0	-	-	13.3	11.0
Administration	9.7	\$9.5	-	-	9.7	9.5
Operation & maintenance of plant	72.4	\$59.0	-	-	72.4	59.0
Student transportation	16.8	\$15.0	-	-	16.8	15.0
Fixed charges (employee benefits)	140.7	\$130.8	-	-	140.7	130.8
Food services & other	1.2	\$1.0	18.8	17.9	20.0	18.9
Interest	0.1	\$0.2	-	-	0.1	0.2
Total Expenses	481.2	447.5	18.8	17.9	500.1	465.4
Increase (Decrease) in Net Position	4.4	(6.40)	(1.30)	(0.50)	3.10	(6.90)
Beginning Net Position	36.3	42.7	1.8	2.3	38.1	45.0
Ending Net Position	40.7	36.3	0.5	1.8	41.2	38.1

Note: Amounts are expressed in millions and each line is rounded independently from the underlying dollar amounts. Accordingly, individual line items may not sum precisely to the totals presented, and totals may differ by \$0.1 - \$0.2 million. Totals as presented are the accurate rounded amounts. Beginning and ending net position in Figure 3 articulate directly to total net position in Figure 2.

WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026

Figure 4: Sources of Revenues for FY2026

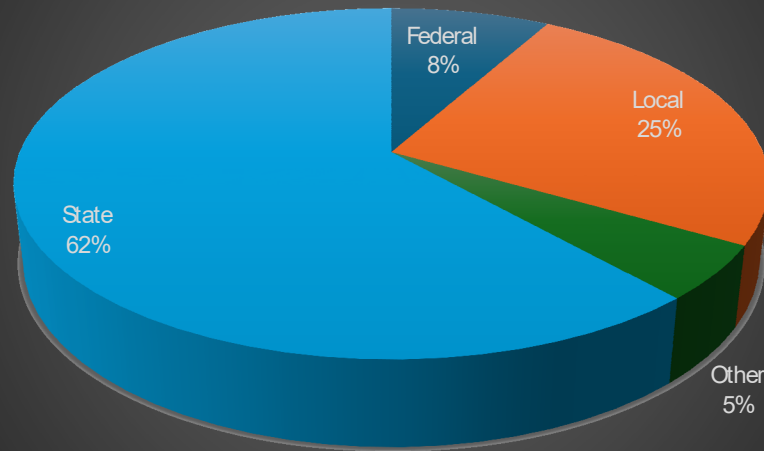
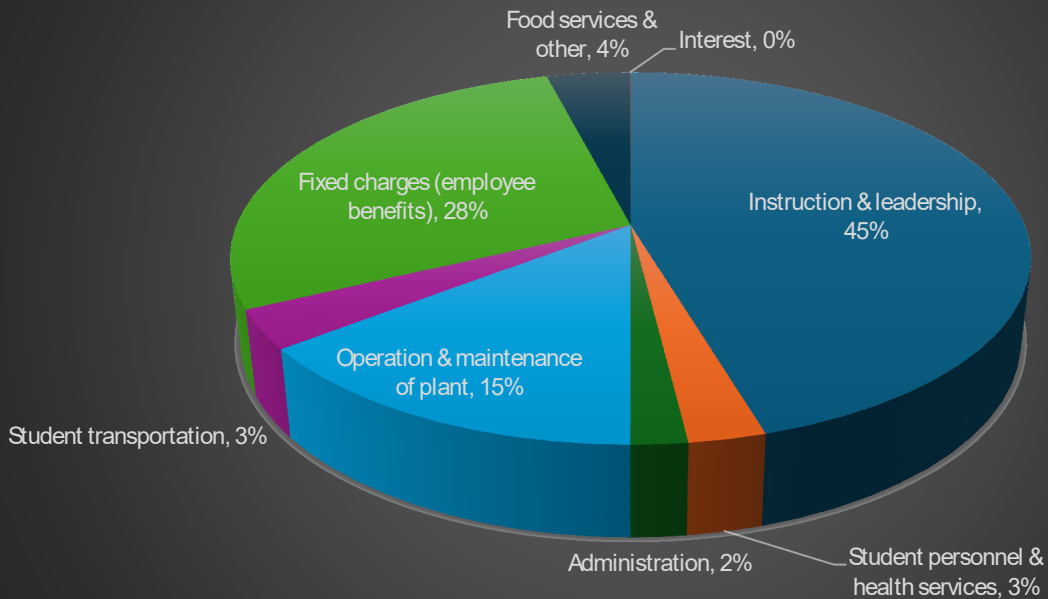


Figure 5: Expenses for FY2026



Detailed Analyses

The following analyses explain the reasons for the significant changes in the School System's financial position and results of operations. Explanations are presented once and cross-referenced where the same factor affects more than one analysis.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

Governmental Activities — Financial Position

Net position of governmental activities increased \$4.3 million during the year. The increase is attributable primarily to three factors. First, operating expenditures were lower than anticipated as certain planned or customary expenditures did not occur during the year, including the purchase of Chromebooks and other budgeted items. Second, capital assets increased as construction spending on the Downsview Pike elementary school and systemic roofing and HVAC replacements exceeded the current year's depreciation charge. Third, salary and benefit savings were realized from higher-than-usual turnover credits, vacancies in instructional and student support positions, and additional pay funds that were not ultimately required. These favorable factors were substantially offset by the \$7.1 million operating loss in the Self-Insurance Fund, which is allocated back to governmental activities.

Governmental Activities — Results of Operations

General revenues for governmental activities increased 10.0% to \$360.5 million, while total expenses, net of charges for services and grants, increased 6.6% to \$356.1 million. The total cost of all governmental activities was \$481.3 million. Charges for services amounted to \$15.5 million, primarily amounts received from employees and retirees for health insurance premiums. Certain programs were subsidized to the extent of \$180.0 million by the federal (\$25.7 million), State (\$152.1 million), and local (\$0.2 million) governments, as well as other organizations (\$2.0 million). Total local funding amounted to \$127.0 million, the State contributed \$309.5 million, and federal funding amounted to \$25.8 million.

The 10.0% growth in general revenues resulted principally from the increase in State formula aid (including Concentration of Poverty grants that allow for carryover to a future year) and from an increase in the County appropriation required under Maryland's Blueprint for Education funding requirements. The composition of revenues also shifted further toward State sources due to the larger than normal capital project funding the State provided in the current year and the conclusion of the remaining federal pandemic relief awards during the year.

On the expense side, the most significant increases were in employee benefits, operation and maintenance of plant, and student health services. Employee benefits increased primarily because of adverse claims experience in the self-insured health plan. Operation and maintenance of plant increased largely because of higher utility rates, technology server purchases, and inflation on needed contracted maintenance repairs at the School System's aging facilities. Student health services costs rose because of higher contracted rates charged by the School System's third-party nursing provider and the addition of nursing positions required to serve a growing medically fragile student population. Student transportation costs increased as a result of maintenance on an aging bus fleet and increased diesel fuel costs over the prior year.

Figure 6 presents the total cost and net cost of each of the School System's major activities: Instruction and Instructional Leadership, Student Personnel and Health Services, Administration, Operation and Maintenance of Plant, Student Transportation, Employee Benefits, Food Services and Other, and Interest. Net cost — total cost less program charges and intergovernmental aid — reflects the financial burden placed upon State and local taxpayers for each function.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

Figure 6: Net Cost of Governmental Activities (in millions of dollars)

	Total Cost of Services		Net Cost of Services	
	2026	2025	2026	2025
Instruction & instructional leadership	\$ 227.10	\$ 221.00	\$ 227.10	\$ 221.00
Student personnel & health services	13.3	11.0	13.3	11.0
Administration	9.7	9.5	9.7	9.5
Operation & maintenance of plant	72.4	59.0	72.4	59.0
Student transportation	16.8	15.0	16.8	15.0
Fixed Charges (Employee Benefits)	140.7	130.8	140.7	130.8
Food services and other	1.2	1.0	1.2	1.0
Interest	0.1	0.2	0.1	0.2
Total	\$ 481.30	\$ 447.50	\$ 481.30	\$ 447.50

Business-Type Activities — School Food Service

School Food Service is the School System's only business-type activity. Revenues and transfers were \$17.5 million and expenses were \$18.8 million, producing a \$1.3 million decrease in net position. The operating shortfall was primarily driven by continued inflation in food commodity and supply costs, wage increases necessary to attract and retain food service workers, and meal participation levels that have not returned to pre-pandemic levels. These factors have occurred despite modest meal price increases of \$0.10 per lunch in FY2026.

During the FY2026 school year, eight additional schools were added to the Community Eligibility Provision (CEP), which provides free meals to all students at participating schools. This brought the total to 33 of the School System's 44 school buildings participating in this federal program. With Free and Reduced-Price Meal eligibility rates exceeding 50% and universal free meals available at a significant number of schools, meal price increases generate relatively little additional revenue.

Management has continued to align the food service program with federal standards by budgeting for annual operating shortfalls over the past several years. This approach is intended to maintain the food service fund balance at a level that remains compliant with federal requirements while supporting the continued operation of the program.

Major Fund Analyses

Combined governmental fund balances increased \$0.5 million to \$42.8 million, compared with \$42.3 million in the prior year, driven by the General Fund surplus discussed below and partially offset by the Capital Projects Fund deficiency.

Current Expense Fund (Governmental): The Current Expense Fund reported revenues in excess of expenditures of \$1.6 million. The increase was primarily attributable to a \$5.4 million General Fund surplus, driven largely by employee turnover savings and unspent additional pay and instructional materials budgets. These favorable variances were partially offset by higher utility expenditures resulting from inflationary pressures. The General Fund surplus was further offset by a \$3.8 million deficit in the Restricted Fund, primarily related to costs associated with asbestos remediation at Williamsport High School. No restrictions, commitments, or other limitations significantly affect the availability of the unassigned fund balance for future use, other than the Board's policy of maintaining a minimum unassigned balance.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

Capital Projects Fund (Governmental): The Capital Projects Fund reported a deficiency of revenues under expenditures of \$1.1 million. Fund balance at year end equals the amount of outstanding retainage due on construction contracts in progress and is therefore not available for other purposes. Retainage balances grew during the year because of several large systemic projects and the new elementary school under construction at fiscal year end, and the related State and County reimbursement for retained amounts is not requested until the contracts are closed out.

Food Service Fund (Proprietary-Enterprise): As discussed under business-type activities above, the Food Service Fund experienced a decrease in net position of \$1.3 million.

Self-Insurance Fund (Proprietary-Internal Service): The Self-Insurance Fund began the year with net position of \$2.5 million and incurred an excess of expenses over revenues of \$7.1 million, ending the year with a deficit net position of (\$4.6) million. Claims continued to experience drastic medical inflation in fiscal year 2026, resulting in consecutive years of operating losses, as well as a few high-cost catastrophic claims. The Board of Education has approved a significant rate increase effective July 1, 2026 and made several plan design changes, including increasing deductibles and adding a 10% coinsurance, that are effective for FY2027 in order to restore the fund to a positive net position. See also "Currently Known Facts, Decisions, or Conditions" below.

General Fund Budgetary Highlights

Over the course of the year, the School System revised the annual operating budget several times. These budget amendments were completed to adjust to revised needs and priorities.

Most expense areas of the budget experienced costs lower than revised estimates. Operation of plant was over budget due to utilities being higher than estimated and Maintenance of Plant came in slightly over budget compared to the final budget. Fixed charges (employee benefits) also came in slightly above the final budget due to several long tenured employees retiring and incurring payouts for their accumulated sick and annual leave.

The School System anticipates approval for a final budget adjustment from the funding authority for shifts between revenue and expense categories in October 2026.

Significant Capital Asset and Long-Term Financing Activity

Capital Assets

By the end of fiscal year 2026, the School System had invested \$246.8 million, net of accumulated depreciation and related debt, in capital assets including school buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, custodial and maintenance equipment, food service equipment, and miscellaneous instructional assets. This represents a net increase of \$6.5 million, or 2.7%, over the prior year. Depreciation and amortization expense for the year approximated \$14.3 million, and additions to buildings, improvements, equipment, and furniture approximated \$6.7 million. Additional detail is presented in Note 5.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

Significant additions during the year consisted of construction in progress on the new elementary school on the Downsville Pike property, systemic roofing and HVAC replacements placed in service at several older schools, and scheduled replacement of school buses and food service equipment. Disposals during the year consisted primarily of fully depreciated buses and technology equipment retired at the end of their useful lives and did not result in a significant gain or loss. Intangible right-to-use lease and subscription assets recognized under GASB Statement Nos. 87 and 96 did not change significantly from the prior year.

Outstanding construction commitments at June 30, 2026 relate principally to the Downsville Pike elementary school project, which will replace Hickory Elementary School and Fountain Rock Elementary School. A new commitment was added during the year for the design phase of an addition at Jonathan Hager Elementary School. Because numerous Washington County schools are more than forty years old, the Board's capital policy continues to emphasize systemic renewal of existing facilities alongside selective replacement, and construction cost inflation has increased the cost per square foot of these projects relative to earlier estimates.

Long-Term Financing Activity

Debt issued to finance school construction, and the related annual debt service, is reported by Washington County rather than by the School System. The School System's long-term obligations therefore consist of compensated absences payable, obligations under leases and subscription-based information technology arrangements, and the net pension and net other postemployment benefit liabilities. See Notes 8, 11, and 12 for detail of the current year's activity and balances. A trust fund has been established for the management of assets and the accounting for transactions associated with the provision of retiree health insurance coverage.

Long-term obligations decreased \$27.8 million over the prior year (see Note 8), principally in the other postemployment benefit liability driven by actuarial changes and investment growth, which reflects updated health care cost trend assumptions in the current actuarial valuation. Lease liabilities recognized under GASB Statement No. 87 and subscription liabilities recognized under GASB Statement No. 96 decreased modestly as scheduled principal payments exceeded new arrangements entered into during the year; no individually significant new lease, subscription, or public-private partnership arrangements were entered into during fiscal year 2026. The School System is not subject to a legal debt limit and does not carry a credit rating of its own, as school construction debt is issued by the County; there were no changes during the year in the County's credit ratings that affect the School System's access to capital funding.

Currently Known Facts, Decisions, or Conditions

At the time these financial statements were prepared, the School System was aware of the following facts, decisions, and conditions that are expected to have a significant effect on its financial position or results of operations in future periods.

Economic and Demographic Trends

- Changing Student Population Demographics: While total student enrollment decreased slightly, students with special needs continue to increase. Special education student count increased 2.9% and students with limited English proficiency increased 1.0% over the prior year. Students qualifying for free and reduced price meals represent 59.4% of enrollment. Serving these students requires additional staffing, specialized techniques, and other costs, while limited funding increases hamper efforts to raise salaries in high-need areas where recruitment and retention are already difficult.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

- Facility Age and Condition: Numerous Washington County schools are more than forty years old and require renovation or replacement. Obtaining local capital funding sufficient to match available State funding, while also supporting major maintenance of older buildings, remains a significant challenge.
- Inflation and Market Conditions: Broader economic inflation continues to drive up non-discretionary operating costs, including contracted nursing services, School Resource Officers, enterprise software, vehicle fleet replacement, and insurance. Pension expenditures remain subject to the investment performance of the State Retirement System and required actuarial adjustments.

Actions Taken by Other Parties

- Blueprint for Maryland's Future: The Blueprint, enacted in 2021, establishes significant instructional standards and requires additional funding from State and local sources. The School System expects increased compliance reviews and continued fiscal pressure as State and local governments respond to the funding requirements of existing law.
- No other new laws, regulations, or regulatory actions taken by parties outside the School System after June 30, 2026 are expected to have a significant effect on the financial statements.

Actions Taken by the School System

- Self-Insurance Fund Deficit: In response to the fiscal year 2026 claims experience, the Board approved a significant 10% increase in health plan rates charged to the funds effective July 1, 2026 and made several plan design changes, including increasing deductibles and adding a 10% coinsurance, that are effective for FY2027 in order to restore the fund to a positive net position. If claims experience does not moderate, additional plan rate increases and plan changes may be required.
- Employee Compensation and Health Insurance Costs: Each 1% increase in health insurance costs will require approximately an additional \$550,000, and each 1% salary adjustment will commit approximately \$2.2 million in General Fund resources. The Board will need to balance competitive compensation against constrained resources in coming fiscal cycles.
- Capital and Long-Term Commitments: The Board has committed to continued construction of the Downsville Pike elementary school and has initiated an addition to Jonathan Hager Elementary School, both of which will require sustained local capital funding in future years.

Fiscal Year 2027 Budget

The fiscal year 2027 operating budget was developed using the following principal assumptions: continued growth in State formula aid under the Blueprint for Maryland's Future; a County appropriation consistent with the required local appropriation of the Blueprint formula; a slight decline in total enrollment of about seventy students, offset by continued growth in special education and English learner counts; and federal pandemic relief funding ending. About 74% of new General Fund revenue was utilized for employee salary and associated benefits increases. Planned spending reflects an approximately \$1 million increase in pension expenditure and an approximately \$1 million increase in utility costs.

**WASHINGTON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2026**

The fiscal year 2027 capital budget of \$30.4 million is \$0.5 million higher than the prior year, reflecting the start of the Jonathan Hager Elementary School addition. Budgeted capital expenditures include continued construction of the new Downsville Pike elementary school replacing Hickory Elementary School and Fountain Rock Elementary School, initiation of the Jonathan Hager Elementary School addition, and various systemic maintenance projects at aging schools.

Based on current budgetary and financial projections, management anticipates that the total General Fund balance will remain relatively stable during fiscal year 2027. Management also anticipates that the Self-Insurance Fund's deficit will continue to improve during the year and should be substantially reduced by the end of fiscal year 2027. These projections are subject to changes in revenues, expenditures, claims activity, and other factors that may affect the funds during the year.

Management does not anticipate a significant change in the net position of the business-type activities during fiscal year 2027.

Contacting the School System's Financial Management

This financial report is designed to provide the citizens and taxpayers of Washington County, and the creditors, parents and employees of the Washington County Public Schools with a general overview of the School System's finances and to demonstrate its accountability for the money it receives. If you have questions about this report, please contact the Finance Office, Washington County Public Schools, 10435 Downsville Pike, Hagerstown, Maryland 21740, or call (301) 766-2831

BASIC FINANCIAL STATEMENTS

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 30,626,564	\$ 15,257	\$ 30,641,821
Investments	28,958,359	-	28,958,359
Due from Other Governments	25,864,767	2,212,226	28,076,993
Internal Balances	(3,671,190)	3,671,190	-
Accounts Receivable	2,962,294	69	2,962,363
Inventories	86,019	633,302	719,321
Prepaid items	3,513,491	-	3,513,491
Total Current Assets	88,340,304	6,532,044	94,872,348
NONCURRENT ASSETS			
Capital Assets, Not Being Depreciated	25,067,628	-	25,067,628
Capital Assets, Net of Accumulated Depreciation/Amortization	218,560,242	3,145,926	221,706,168
Total Noncurrent Assets	243,627,870	3,145,926	246,773,796
Total Assets	331,968,174	9,677,970	341,646,144
DEFERRED OUTFLOWS OF RESOURCES			
Other Post-Employment Benefits (OPEB)	98,409,022	2,425,223	100,834,245
Pensions	8,728,045	1,890,838	10,618,883
Total Deferred Outflows of Resources	107,137,067	4,316,061	111,453,128
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	16,287,152	31,670	16,318,822
Accrued Liabilities	29,155,790	125,863	29,281,653
Unearned Revenues	3,642,933	295,080	3,938,013
Long-Term Liabilities Due Within One Year:			
Compensated Absences	8,461,769	-	8,461,769
Lease and Subscription Liability	490,916	37,342	528,258
Total Current Liabilities	58,038,560	489,955	58,528,515
NONCURRENT LIABILITIES			
Compensated Absences	24,707,991	574,855	25,282,846
Net OPEB Liability	171,200,765	4,219,126	175,419,891
Net Pension Liability	23,149,429	5,015,077	28,164,506
Lease and Subscription Liability	1,805,115	39,210	1,844,325
Total Noncurrent Liabilities	220,863,300	9,848,268	230,711,568
Total Liabilities	278,901,860	10,338,223	289,240,083
DEFERRED INFLOWS OF RESOURCES			
Other Post-Employment Benefits (OPEB)	118,343,282	2,916,490	121,259,772
Pensions	1,183,614	256,417	1,440,031
Total Deferred Inflows of Resources	119,526,896	3,172,907	122,699,803
NET POSITION			
Net Investment in Capital Assets	240,021,215	3,069,374	243,090,589
Restricted for			
Scholarships	276,028	-	276,028
Grants	-	-	-
Flexible Spending Plan	85,871	-	85,871
Unrestricted	(199,706,629)	(2,586,473)	(202,293,102)
Total Net Position	\$ 40,676,485	\$ 482,901	\$ 41,159,386

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026**

		Program Revenue			Net Revenue (Expense) and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Administration	\$ 9,653,817	\$ -	\$ 1,017,810	\$ -	\$ (8,636,007)	\$ -	\$ (8,636,007)
Mid-level Administration	23,505,358	-	467,663	-	(23,037,695)	-	(23,037,695)
Instructional Salaries	142,683,212	-	19,097,255	-	(123,585,957)	-	(123,585,957)
Instructional Textbooks and Supplies	9,090,294	195,969	3,190,053	-	(5,704,272)	-	(5,704,272)
Other Instructional Costs	8,153,682	-	1,564,226	-	(6,589,456)	-	(6,589,456)
Special Education	43,686,969	-	26,770,166	-	(16,916,803)	-	(16,916,803)
Student Personnel Services	5,905,468	-	4,352,828	-	(1,552,640)	-	(1,552,640)
Student Health Services	7,376,159	-	2,606,271	-	(4,769,888)	-	(4,769,888)
Student Transportation Services	16,815,070	-	10,499,730	-	(6,315,340)	-	(6,315,340)
Operation of Plant	39,676,756	-	772,367	-	(38,904,389)	-	(38,904,389)
Maintenance of Plant	32,685,585	-	7,611,122	-	(25,074,463)	-	(25,074,463)
Fixed Charges	140,700,306	15,292,690	30,681,035	-	(94,726,581)	-	(94,726,581)
Community Services	1,164,237	-	1,011,328	-	(152,909)	-	(152,909)
Interest on Long-Term Obligations	141,461	-	-	-	(141,461)	-	(141,461)
Total Governmental Activities	481,238,374	15,488,659	109,641,854	-	(356,107,861)	-	(356,107,861)
Business-Type Activities:							
Food Services	18,812,607	1,719,746	15,403,722	-	-	(1,689,139)	(1,689,139)
Total Primary Government	\$ 500,050,981	\$ 17,208,405	\$ 125,045,576	\$ -	(356,107,861)	(1,689,139)	(357,797,000)
General Revenues:							
Unrestricted Grants and Contributions							
Local					126,886,890	-	126,886,890
State					230,061,659	-	230,061,659
Investment Earnings					1,960,617	157	1,960,774
Other					1,958,543	-	1,958,543
Transfers					(391,097)	391,097	-
Total General Revenues and Transfers					360,476,612	391,254	360,867,866
CHANGES IN NET POSITION					4,368,751	(1,297,885)	3,070,866
Net Position - Beginning of Year					36,307,734	1,780,786	38,088,520
NET POSITION - END OF YEAR					\$ 40,676,485	\$ 482,901	\$ 41,159,386

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2026**

	<u>General Fund</u>		<u>Total</u>
	<u>Current Expense</u>	<u>Capital Project</u>	<u>Governmental</u>
ASSETS	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Cash and Cash Equivalents	\$ 30,626,564	\$ -	\$ 30,626,564
Investments	28,958,359	-	28,958,359
Due From Other Governments	9,695,820	16,168,947	25,864,767
Due from Other Funds	4,271,197	-	4,271,197
Accounts Receivable	1,896,630	-	1,896,630
Inventories	86,019	-	86,019
Prepaid Items	799,171	-	799,171
	<u>76,333,760</u>	<u>16,168,947</u>	<u>92,502,707</u>
Total Assets	<u>\$ 76,333,760</u>	<u>\$ 16,168,947</u>	<u>\$ 92,502,707</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 2,794,037	\$ 13,208,374	\$ 16,002,411
Accrued Liabilities	25,570,303	-	25,570,303
Due to Other Funds	193,287	4,271,197	4,464,484
Unearned Revenue	3,642,933	-	3,642,933
Total Liabilities	<u>32,200,560</u>	<u>17,479,571</u>	<u>49,680,131</u>
FUND BALANCES			
Nonspendable	885,190	-	885,190
Restricted	361,899	-	361,899
Committed	1,221,129	-	1,221,129
Assigned	11,471,508	-	11,471,508
Unassigned	30,193,474	(1,310,624)	28,882,850
Total Fund Balances	<u>44,133,200</u>	<u>(1,310,624)</u>	<u>42,822,576</u>
Total Liabilities and Fund Balances	<u>\$ 76,333,760</u>	<u>\$ 16,168,947</u>	<u>\$ 92,502,707</u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
STATEMENT OF NET POSITION
JUNE 30, 2026**

Total Fund Balances - Governmental Funds	\$	42,822,576
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Those assets consist of:

Cost of Capital Assets	\$ 489,395,748	
Accumulated Depreciation	<u>(245,767,878)</u>	
Total Capital Assets		243,627,870

An internal service fund is used by the school system's management to charge the costs of medical and prescription claims to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.

(4,581,965)

Long-term liabilities (assets) are not due and payable (receivable) in the current period and therefore are not reported as liabilities (assets) in the funds. Long-term liabilities (assets) at year-end consist of:

Compensated Absences	(32,155,942)	
Lease and Subscription Liability	<u>(2,296,031)</u>	
		(34,451,973)

The net pension liability associated with the school system's proportionate share of the Maryland State Retirement and Pension System is not payable with current financial resources and is not reported in the governmental funds. The other post-employment benefits liability for the school system is not payable with current financial resources and is not reported in the general funds. The activity associated with the school system's share of the net pension liability and the other post-employment benefits liability consist of:

Net Pension Liability	(23,149,429)	
Deferred Outflows of Resources - Pensions	8,728,045	
Deferred Inflows of Resources - Pensions	(1,183,614)	
Net Other Post-Employment Benefits Liability (OPEB)	(171,200,765)	
Deferred Outflows of Resources - OPEB	98,409,022	
Deferred Inflows of Resources - OPEB	<u>(118,343,282)</u>	
		<u>(206,740,023)</u>

Total Net Position - Governmental Activities	\$	<u><u>40,676,485</u></u>
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WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUNDS BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2026

	General Fund Current Expense Fund	Capital Project Fund	Total Governmental Funds
REVENUES			
Local	\$ 120,567,352	\$ 6,474,538	\$ 127,041,890
State Maryland	287,579,380	21,919,108	309,498,488
Federal Government	25,761,458	-	25,761,458
Tuition	169,877	-	169,877
Investment Income	1,939,899	-	1,939,899
Other	6,273,202	-	6,273,202
Total Revenues	442,291,168	28,393,646	470,684,814
EXPENDITURES			
Current:			
Administration	9,388,462	-	9,388,462
Mid-level Administration	23,518,124	-	23,518,124
Instructional Salaries	145,027,592	-	145,027,592
Instructional Textbooks and Supplies	9,090,294	-	9,090,294
Other Instructional Costs	7,143,878	-	7,143,878
Special Education	44,228,571	-	44,228,571
Student Personnel Services	6,026,453	-	6,026,453
Student Health Services	7,396,544	-	7,396,544
Student Transportation Services	18,626,788	-	18,626,788
Operation of Plant	31,835,593	-	31,835,593
Maintenance of Plant	17,162,927	15,039,338	32,202,265
Community Services	1,175,293	-	1,175,293
Fixed Charges	118,325,931	-	118,325,931
Capital Outlay	914,215	14,440,120	15,354,335
Debt Service:			
Principal	651,808	-	651,808
Interest	141,461	-	141,461
Total Expenditures	440,653,934	29,479,458	470,133,392
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,637,234	(1,085,812)	551,422
OTHER FINANCING SOURCES (USES)			
Transfers Out	(391,097)	-	(391,097)
Lease and SBITA Financing Proceeds	339,614	-	339,614
Proceeds from Sale of Assets	20,190	-	20,190
Total Other Financing Sources	(31,293)	-	(31,293)
NET CHANGES IN FUND BALANCES	1,605,941	(1,085,812)	520,129
Fund Balances - Beginning of Year	42,527,259	(224,812)	42,302,447
FUND BALANCES - END OF YEAR	\$ 44,133,200	\$ (1,310,624)	\$ 42,822,576

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2026**

Net Change in Fund Balances - Governmental Funds	\$ 520,129
Amounts reported for governmental activities in the statement of activities is different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense:	
Depreciation/Amortization expense	\$ (13,757,121)
Capital outlays	<u>20,652,932</u>
	6,895,811
In the statement of activities, only the gain or loss on the disposition of capital assets is reported whereas in the governmental funds, the entire proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balances by costs of the capital assets sold less any accumulated depreciation.	(223,799)
Repayment of note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	51,730
Lease & SBITA liability proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.	(339,614)
Repayment of lease & SBITA liability principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	600,079
In the statement of activities, compensated absences are measure by the amounts earned during the year. In governmental funds however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid and accrued). This year, vacation and sick leave earned exceeded the amounts used.	
Decrease in compensated absences	1,596,183
The expense incurred related to other post-employment benefits are recognized in the change in net position in the Statement of Activities while the cash contribution to the Retiree Benefit Trust is recorded in the governmental funds. This represents the difference.	3,090,130
An internal service fund is used by the school system's management to charge the costs of medical and prescription claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	(7,060,967)
In the government-wide financial statements, activity related to the school system's proportionate share of the Maryland State Retirement and Pension System is recognized when the costs are incurred, adjusted for the actuarial measurement date of the plan. In the governmental funds, expenditures are recognized when current financial resources are used. This year, actual costs of the plan were more than current resources used.	<u>(760,931)</u>
Change in net position of governmental activities	<u>\$ 4,368,751</u>

See accompanying Notes to Basic Financial Statements.

WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2026

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 15,257	\$ -
Due from Other Governments	2,212,226	-
Accounts Receivable	69	1,065,664
Inventories	633,302	-
Due from Other Funds	3,671,190	-
Prepaid Expenses	-	2,714,320
Total Current Assets	<u>6,532,044</u>	<u>3,779,984</u>
Noncurrent Assets:		
Capital Assets, Net of Accumulated Depreciation/Amortization	<u>3,145,926</u>	-
Total Noncurrent Assets	<u>3,145,926</u>	<u>-</u>
Total Assets	9,677,970	3,779,984
DEFERRED OUTFLOWS OF RESOURCES		
Other Postemployment Benefits (OPEB)	2,425,223	-
Pensions	<u>1,890,838</u>	-
Total Deferred Outflows of Resources	<u>4,316,061</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	31,670	284,741
Accrued Liabilities	125,863	4,599,305
Due to Other Funds	-	3,477,903
Subscription Liability	37,342	-
Unearned Revenue	<u>295,080</u>	-
Total Current Liabilities	<u>489,955</u>	<u>8,361,949</u>
Noncurrent Liabilities:		
Compensated Absences Payable	574,855	-
Net Pension Liability	5,015,077	-
Net OPEB Liability	4,219,126	-
Subscription Liability	<u>39,210</u>	-
Total Noncurrent Liabilities	<u>9,848,268</u>	<u>-</u>
Total Liabilities	10,338,223	8,361,949
DEFERRED INFLOWS OF RESOURCES		
Other Postemployment Benefits (OPEB)	2,916,490	-
Pensions	<u>256,417</u>	-
Total Deferred Outflows of Resources	<u>3,172,907</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	3,069,374	-
Unrestricted	<u>(2,586,473)</u>	<u>(4,581,965)</u>
Total Net Position	<u>\$ 482,901</u>	<u>\$ (4,581,965)</u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2026**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
OPERATING REVENUE		
Food Service Sales	\$ 1,719,746	\$ -
Charges to Other Funds	-	58,526,918
Charges to Employees and Retirees	-	15,292,690
Total Operating Revenues	<u>1,719,746</u>	<u>73,819,608</u>
OPERATING EXPENSES		
Payroll Costs	8,959,222	100,603
Professional and Contract Services	-	5,022,954
Supplies and Materials	9,079,474	-
Depreciation and Amortization	586,980	-
Insurance Claims	-	75,777,736
Other Operating Costs	317,536	-
Total Operating Expenses	<u>18,943,212</u>	<u>80,901,293</u>
OPERATING LOSS	(17,223,466)	(7,081,685)
NONCAPITAL SUBSIDIES		
State Matching and Other	457,012	-
Federal Grants and Commodities	14,946,541	-
Other Grants	169	-
Transfer In	391,097	-
Total Noncapital Subsidies	<u>15,794,819</u>	<u>-</u>
OPERATING LOSS AND NONCAPITAL SUBSIDIES	(1,428,647)	(7,081,685)
OTHER NONOPERATING REVENUES (EXPENSES)		
Interest Income	157	20,718
Loss on Disposition of Equipment	130,605	-
Total Other Nonoperating Revenues (Expenses)	<u>130,762</u>	<u>20,718</u>
DECREASE IN FUND NET POSITION	(1,297,885)	(7,060,967)
Fund Net Position - Beginning of Year	<u>1,780,786</u>	<u>2,479,002</u>
FUND NET POSITION - END OF YEAR	<u><u>\$ 482,901</u></u>	<u><u>\$ (4,581,965)</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2026**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
CASH FLOWS FROM OPERATING ACTIVITIES		
Received from User Charges and Other Funds	\$ 1,677,273	\$ -
Received from Assessments Made to Other Funds	-	65,073,783
Received from Assessments Made to Employees and Retirees	-	15,292,690
Insurance Claims Paid	-	(78,242,916)
Payments to Employees for Services	(8,354,530)	(100,603)
Payments to Suppliers for Goods and Services	(7,770,199)	(5,022,954)
Payments for Other Operating Expenses	1,793,631	-
Net Cash Used by Operating Activities	<u>(12,653,825)</u>	<u>(3,000,000)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants Received	12,585,784	-
Transfers	391,097	-
Net Cash Provided by Noncapital Financing Activities	<u>12,976,881</u>	<u>-</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Acquisition of Capital Asset	(329,461)	-
Proceeds from Sale of Capital Assets	48	-
Net Cash Used by Capital Financing Activities	<u>(329,413)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	157	20,718
Proceeds from Sales and Maturities of Investments	-	2,979,282
Net Cash Provided by Investing Activities	<u>157</u>	<u>3,000,000</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(6,200)	-
Cash and Cash Equivalents - Beginning of Year	<u>21,456</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 15,256</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2026**

	Enterprise Fund Food Service	Internal Service Fund Self-Insurance
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	\$ (17,223,466)	\$ (7,081,685)
Adjustments to Reconcile Operating Loss to Net Cash		
Used by Operating Activities:		
Depreciation and amortization	586,980	-
Commodities Used	1,208,450	-
(Increase) Decrease in Assets:		
Receivables	597	(1,064,533)
Due from Other Funds	2,111,167	3,068,962
Inventory	54,129	-
Prepays	-	(335,344)
Deferred Outflows of Resources	17,172	-
Increase (Decrease) in Liabilities:		
Accounts Payable	(20,012)	(1,396,966)
Accrued Liabilities	102,272	331,663
Due to Other Funds	-	3,477,903
Unearned Revenue	(43,070)	-
Compensated Absences	(154,572)	-
Subscription Liability	(35,564)	-
Other Post-Employment Benefits	(270,178)	-
Net Pension Liability	410,130	-
Deferred Inflows of Resources	602,140	-
Total Adjustments	<u>(12,653,825)</u>	<u>(3,000,000)</u>
Net Cash Used by Operating Activities	<u>\$ (12,653,825)</u>	<u>\$ (3,000,000)</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS		
Donated Commodities	\$ 1,208,450	\$ -
Loss on Disposal of Capital Asset	<u>\$ (130,557)</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2026**

	Pension (and Other Employee Benefit) <u>Trust Funds</u>
ASSETS	
Investments Held in MABE Trust	<u>\$ 161,960,359</u>
Total Assets	<u><u>\$ 161,960,359</u></u>
NET POSITION	
Restricted for Retiree Health Plan Benefits	<u><u>\$ 161,960,359</u></u>

See accompanying Notes to Basic Financial Statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
STATEMENT CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2026**

	Pension (and Other Employee Benefit) Trust Funds
ADDITIONS	
Contributions	\$ 17,506,133
Investment Income	20,985,686
Total Additions	<u>38,491,819</u>
DEDUCTIONS	
Benefits Paid	<u>15,893,133</u>
Total Deductions	<u>15,893,133</u>
CHANGE IN NET POSITION	22,598,686
Net Position - Beginning of Year	<u>139,361,673</u>
NET POSITION - END OF YEAR	<u><u>\$ 161,960,359</u></u>

See accompanying Notes to Basic Financial Statements.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

In Maryland, public schools are part of a statewide system of county school boards. The school boards' political boundaries conform to the county boundaries. The purpose of the Washington County Board of Education (the School System) is to operate the local public-school system in accordance with state and community standards.

The School System does not have the authority to levy any taxes or incur debt. Schools are funded with local, state, and federal monies. Washington County, Maryland has oversight responsibility for approval and partial funding of the School System's operating budget.

The School System is a component unit of Washington County, Maryland by virtue of the County's responsibility for levying taxes and its budgetary control over the School System.

Governmental Accounting Standards established the criteria used by the School System to evaluate the possible inclusion of related entities within its reporting entity based upon financial accountability and the nature and significance of the relationship. The component unit discussed below is included in the School System's reporting entity because of the significance of their operational or financial relationships with the School System.

Fiduciary Component Unit

The School System's Retiree Health Trust Plan (the Plan) was established to provide postemployment health care and life insurance benefits for retirees of the School System (See Note 12). The Plan is included in the financial reporting entity as a fiduciary fund because the Plan is (1) considered to be a separate legal entity, (2) the School Board functions as the governing board of the plan, and (3) the plan imposes a financial burden on the School System as it is legally obligated to make contributions to the Plan.

The School System's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). The more significant accounting policies of the School System are described below.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Measurement Focus, Basis of Accounting

The basic financial statements of the School System are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

1. Government-Wide Financial Statements

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report on all the nonfiduciary activities of the School System. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are supported by local contributions and intergovernmental revenues are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, which incorporates noncurrent assets as well as long-term debt and obligations. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. United States Department of Agriculture food commodities are recorded as revenue and expense when they are consumed.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted grants and contributions and other items not properly included among program revenues are reported instead as general revenues. The School System does not allocate indirect costs.

Amounts expended to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Measurement Focus, Basis of Accounting (Continued)

2. Fund Financial Statements

The operations of the School System are organized and are recorded in individual funds. Each fund is a separate accounting entity, with self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues and expenditures or expenses, as appropriate.

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School System considers revenues to be available if they are collected within 90 days of the end of the current fiscal period, except for revenues from federal and state expenditure-driven grant programs, which are considered available and accrued to the extent that eligible expenditures have been incurred and reimbursement requests have been submitted to the applicable federal or state agency for payment, provided collection is expected within one year of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Operating and capital grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets, including entering into contracts giving the School System the right to use leased assets and subscription-based information technology, are recorded as expenditures in the year that resources were expended, rather than as fund assets. Issuance of long-term debt and financing through leases are reported as other financing sources.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

B. Measurement Focus, Basis of Accounting (Continued)

2. Fund Financial Statements (Continued)

Proprietary Funds

The School System's Food Service Fund and Internal Service Fund are proprietary funds. In the fund financial statements, the proprietary fund is presented using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when the related goods or services are delivered. In the fund financial statements, the proprietary funds are presented using the economic resources measurement focus. This means that all assets, deferred outflow of resources, liabilities, and deferred inflow of resources (whether current or noncurrent) associated with their activity are included on their balance sheets. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in total net position. Operating revenue of the Food Service Fund consist of fees charged to users of food services and operating revenues of the Internal Service Fund consist of charges to other funds, employees, and retirees for medical costs. Operating expenses of the Food Service Fund consist of employee salaries and benefits, supplies material, administrative costs, and depreciation/amortization on capital assets. Operating expenses of the Internal Service Fund consist of employee salaries and benefits, purchased services, insurance claims, and administrative costs.

Nonoperating revenues and expenses of the Food Service Fund and Internal Service Fund consist of subsidies received and provided, revenues and expenses related to financing, resources from the disposal of capital assets and inventory, and investment income and expenses. State and federal subsidies and grants that support the School System's food service operations, and for which the School System does not provide goods or services to the grantor, are reported as noncapital subsidies. Any such resources restricted by the provider to capital purposes are reported as capital subsidies within other nonoperating revenues and expenses.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as another financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than an expense.

Fiduciary Funds

The School System's Fiduciary Fund is presented in the fund financial statements as a Retiree Health Plan Trust. Because the assets of this fund are held in trust for the benefit of plan members and their beneficiaries and cannot be used to satisfy obligations of the School System, the fund is not incorporated into the government-wide financial statements. The School System's fiduciary fund is presented using the economic resources measurement focus and the accrual basis of accounting.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

C. Basis of Presentation

The School System reports the following funds:

Governmental Fund Types:

- The General Fund is the principal operating fund of the School System. It is used to account for all financial resources except those required to be accounted for in another fund.
- The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Proprietary Fund Types:

- The Food Service Fund accounts for all financial resources associated with the operations of the School System's cafeterias.
- The Internal Service Fund is used to account for the costs of maintaining the School System's group health self-insurance programs. Because the principal users of the internal services are the School System's governmental activities, the net residual balances are consolidated into the governmental activities column when presented in the government- wide financial statements

Additionally, the School System reports the following fiduciary fund:

- The Retiree Health Plan Trust accounts for the assets held in the Maryland Association of Boards of Education Pooled OPEB Investment Trust established exclusively for the purpose of nonpension post-employment benefits.

D. Assets, Liabilities, Net Position or Fund Balances

1. Cash and Cash Equivalents

The School System's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

2. Investments

U.S. Treasury Bonds are reported at amortized cost, which approximates fair value. All other investments are recorded at fair market value.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

3. Inventories

Inventory, which includes donated food commodities, is valued at the lower of average cost or market. Inventory in the General Fund consists of instructional material and custodial supplies. The cost of governmental fund inventory is recorded as expenditures when used or delivered to the schools. Inventory in the Food Service Fund consists of expendable food and supplies held for consumption. The cost of the Food Service Fund inventory is recorded as an asset at the time individual inventory items are purchased. As inventory is consumed, the cost is charged to expenditures.

4. Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost (except for intangible right-to-use lease assets and subscription-based information technology). Contributed assets are reported at acquisition value as of the date received. Library books and textbooks are expensed at the time they are purchased. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	25 to 40 Years
Furniture and Equipment	4 to 15 Years
Financed Assets	4 to 5 Years

Land and facilities under construction are not depreciated.

5. Receivables and Payables

Interfund Receivables and Payables

- Interfund activity is reported as either loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to eliminations upon consolidation in the government-wide financial statements. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

6. Long-Term Debt

The School System is not obligated to repay principal or interest on any debt incurred for school construction. Bonds and loans are obligations of the county and state governments. The authorization for expenditures related to debt service for school construction is in the County's Operating Budget. The County, not the School System, reflects annual debt service expenditures for school construction in their annual financial statements. However, the School System does reflect long-term debt in their financial statements for lease obligations that transfer ownership at the end of the lease. These obligations are recorded as note payables in the System's financial statements.

7. Change in Accounting Principle

Effective July 1, 2025, the School System adopted GASB Statement No. 103, *Financial Reporting Model Improvements*. The statement modifies the classification and presentation of operating and nonoperating revenues and expenses in the proprietary fund financial statements and requires the presentation of a subtotal for operating income (loss) and noncapital subsidies. These reclassifications affected only the presentation of the financial statements and had no effect on previously reported changes in net position or total net position.

8. Compensated Absences

The School System accrues unpaid vacation and sick leave along with related employee costs when these benefits are either earned or expected to be earned by employees. Vacation leave is accrued based on the employee's individual salary rates as of June 30. Sick leave accrual is determined by patterns of usage and projected payout upon retirement, as outlined in various negotiated agreements. As of June 30th of each year, a portion of the total accrued unpaid vacation and sick leave is considered payable with current resources and is included in accrued liabilities in the governmental fund financial statements. This amount represents pending payouts of unused leave owed to employees who have left active service by that date. Additionally, the current portion of compensated absences reported in the government-wide financial statements includes an estimate of leave expected to be used within 12 months of year-end. Compensated absences on the government wide statement of net position serve as a reconciling item between the fund and government-wide financial statement presentations.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

9. Net Position/Fund Balances

Governmental funds classify fund balance based on the relative strength of the spending constraints placed on the purpose for which resources can be used. The classifications are as follows:

- *Nonspendable Fund Balance* – Amounts that are not in a spendable form (such as Inventory) or are required to be maintained intact.
- *Restricted Fund Balance* – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* – This classification includes amounts that can be used for specific purposes pursuant to constraints imposed by formal action of the Washington County Board of Education. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.
- *Assigned Fund Balance* – For all governmental funds other than the general fund, this classification includes any remaining positive amounts that are not classified as Nonspendable, Restricted, or Committed. For the General Fund, this classification includes amounts intended to be used for specific purposes that do not meet the criteria to be classified as Restricted or Committed. The assignment of fund balance cannot result in a negative unassigned fund balance. The Board delegates to the Superintendent (and his/her designee) the authority to assign fund balance.
- *Unassigned Fund Balance* – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When fund balance resources are available for a specific purpose in multiple classifications, the School System's policy is to use restricted resources first and then apply unrestricted resources in the following order: Committed, Assigned, and Unassigned. Committed or Assigned resources would only be used upon specific authorization by the School Board or the Superintendent (and his/her designee), respectively.

The School System has established a guideline for maintaining an Unassigned General Fund Balance equivalent to 45–60 days of revenue from all sources excluding county government contributions. For the Internal Service Fund (Self-Insurance), the target is to maintain reserves equal to ten times the stop-loss threshold and 16% of estimated annual expenses at the loss retention level—prior to insurance coverage. As of June 30, 2026, the specific stop-loss level was set at \$600,000.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

9. Net Position/Fund Balances (Continued)

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- Restricted Net Position – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This category represents net position of the School System, not restricted for any project or other purpose.

When an expense is incurred for purposes for which restricted and unrestricted net position is available, the School System is to apply restricted net position first.

10. Accounting Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts may differ from those estimates.

11. Deferred Outflows / Inflows of Resources

The statement of net position reports separate sections for deferred outflows and deferred inflows of resources. These separate financial statement elements represent a consumption or acquisition of net assets that applies to a future period(s) and so will not be recognized as an outflow or inflow of resources (expense/revenue) until then. The School System has two items that qualify for reporting in these categories: deferred outflows and inflows related to pensions and deferred outflows and inflows related to other postemployment benefits.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

11. Deferred Outflows / Inflows of Resources (Continued)

Deferred outflows and inflows of resources related to pensions are described further in Note 11 and deferred outflows and inflows of resources related to other postemployment benefits are described further in Note 12. The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual investment earnings on investments, are amortized into pension/OPEB expense over a closed period, which reflects the weighted average remaining service life of all MSRPS/OPEB members beginning the year in which the deferred amount occurs (current year). The annual difference between the projected and actual earnings on investments is amortized over a five-year closed period beginning the year in which the difference occurs (current year).

12. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maryland State Retirement and Pension System (MSRPS) and additions to/deductions from MSRPS's fiduciary net position have been determined on the same basis as they are reported by MSRPS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

13. Post-Employment Health Care and Life Insurance Benefits

In addition to providing the pension benefits described, the School System provides post-employment health care and life insurance benefits (OPEB) for retired employees, their spouses and dependents, and surviving spouses and dependents. On April 15, 2008, the Board created the Retiree Benefit Trust of the Board of Education of Washington County (the Trust) in order to arrange for the establishment of a reserve to pay health and welfare benefits for future retirees. The Trust is affiliated with Maryland Association of Boards of Education Pooled OPEB Investment Trust, an agent multiemployer public employee retirement system established by the Maryland Association of Boards of Education (MABE). The Board reserves the right to establish and amend the provisions of the trust with respect to participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance written notice to the Trustees. The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

D. Assets, Liabilities, Net Position or Fund Balances (Continued)

14. Leases and Subscription-Based Information Technology Arrangements

The School System is a lessee for noncancellable leases of equipment and buildings and subscription-based information technology arrangements. The School System recognizes a lease or subscription liability and an intangible right-to-use lease asset or a right-to-use subscription asset (lease/subscription asset) in the government-wide financial statements. The School System recognizes lease and subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease or subscription-based information technology arrangement, the School System initially measures the lease liability or subscription liability at the present value of payments expected to be made during the lease or subscription term. Subsequently, the lease or subscription liability is reduced by the principal portion of lease or subscription payments made. The lease or subscription asset is initially measured at the initial amount of the lease or subscription liability, adjusted for lease or subscription payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the lease or subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases and subscriptions include how the School System determines (1) the discount rate it uses to discount the expected lease and subscription payments to present value, (2) lease term and subscription-based information technology arrangement, and (3) lease and subscription payments.

- The School System uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School System generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription-based information technology arrangements.
- The lease and subscription terms include the noncancellable period of the lease or subscription. Lease and subscription payments included in the measurement of the lease and subscription liability are composed of fixed payments and purchase option price that the School System is reasonably certain to exercise.

The School System monitors changes in circumstance that would require a remeasurement of its lease and subscription-based information technology arrangements and will remeasure the lease and subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease and subscription liability.

Lease and subscription assets are reported with other capital assets and lease and subscription liabilities are reported with long-term debt on the statement of net position.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

**NOTE 1 NATURE OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

E. Adoption of Governmental Accounting Standards Board Statements

As disclosed in Note 1D-7, the School System implemented GASB Statement No. 103, Financial Reporting Model Improvements, resulting in a change in accounting principle during the current year.

Effective for fiscal years beginning after June 15, 2025, the School System adopted GASB Statement No. 104, Disclosure of Certain Capital Assets. This standard establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures, including capital assets held for sale, and requires additional disclosures for capital assets held for sale. Adoption of this standard affected note disclosure only and did not have an impact on beginning net position or fund balances.

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING

The School System generally follows these procedures in establishing the budgetary data reflected in the required supplementary information:

Operating Budget

Unrestricted Current Expense Fund

1. Budget meetings with program and department management are held to review the current budget annually, seeking input on changes for the upcoming year. The requests are based upon needs identified in the School System's approved five-year Master Plan.
2. The proposed budget is made available to the public and the County Government in February/March.
3. Public hearings are held to obtain comments from the community.
4. The proposed operating budget is submitted to the County Commissioners in late March or early April.
5. After approval or adjustment by the County Commissioners, the final operating budget is generally approved by the School System in June.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Operating Budget (Continued)

Unrestricted Current Expense Fund (Continued)

6. Budgets are adopted on a basis consistent with GAAP except for: (1) the inclusion of encumbrances and operating transfers as expenditures, (2) annual debt service requirements on leases which are recognized as a current expense in the General Fund, (3) capital lease proceeds and corresponding acquisition costs which are not recognized as another financing source and current expense, (4) occasionally the inclusion of the previous years' unexpended budgetary appropriations as revenue, (5) retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense, and (6) the value of donated fixed assets is not recognized as revenue and current expense.
7. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.

Budgetary comparisons presented in the required supplementary information are on a non-GAAP budgetary basis.

Restricted Current Expense Fund

The restricted current expense fund accounts for certain federal and state programs, student activity programs, and the School System's scholarship programs, which are not part of the operating budget. For the federal and state programs, revenues are recognized at the same time as the related expenditures.

Capital Budget

Capital Projects Fund

School construction is budgeted on a project basis with funds primarily provided by the state of Maryland and Washington County bonds. Revenues from the bond proceeds and grants are earned when all significant terms of the proceeds have been met. Such terms are generally met at the time of expenditure. Annual budgetary comparisons to actual expenditures are not presented in the required supplementary information for the Capital Projects Fund.

NOTE 3 DEPOSIT AND INVESTMENT RISK

Cash

Custodial Credit Risk

Maryland State Law prescribes that local government units, such as the School System, must deposit its cash in banks transacting business in the state of Maryland, and that such banks must secure any deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance levels with collateral whose market value is at least equal to the deposits. Any cash deposit exceeding the FDIC insurance level will require collateralization. The FDIC coverage limits are applied to total noninterest-bearing accounts separately from interest-bearing accounts.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Cash (Continued)

Custodial Credit Risk (Continued)

Compliance is summarized as follows:

	Governmental and Business- Type Activities
Carrying Amount of Cash Deposits	\$ 30,641,821
Bank Balance of Cash Deposits	32,824,490
Amount Covered by FDIC	475,676
Amount Collateralized with Securities	32,348,814

Investments

Credit Risk

Maryland statutes authorize the School System to invest in obligations of the United States government or agency obligations. As of June 30, 2026, the School System's operating investments in U.S. Government Agencies were rated AA (\$22,860,275). The credit rating is based on both Moody's and Standard & Poor's. The School System's operating investments in fixed income mutual funds was not rated (\$102,627). The School System's investment in US Treasury Bills (\$5,995,457) were not rated as of June 30, 2026 as their creditworthiness is universally accepted.

Interest and Custodial Risk

Investments are made in federal government securities without risk of loss due to market conditions. The Board's investments, which include uninsured and unregistered investments, are held by a bank's trust department or agent in the School System's name. The Board's policy is generally to require delivery of the investments to a third-party custodian.

Foreign Currency Risk

Maryland law does not permit the School System to have or hold any type of international investment vehicle.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (Continued)

Retiree Health Plan Trust Investments

The investments of the MABE Trust are stated at fair value, are deposited with Fidelity, and are managed by GYL Financial Synergies, LLC. The MABE Trust categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs. Although all investments of the MABE Trust are considered Level 1 and Level 2, the School System's membership in the MABE Trust is considered Level 2. As of June 30, 2026, the pooled net position of the MABE Trust was \$894,386,807 in total, of which the School System's allocated investment balance was \$161,960,359. The School System's allocated investments consist of the following:

	Balance at June 30, 2026
Cash and Cash Equivalents	\$ 5,031,566
Equity Securities	88,409,131
Fixed Income	61,966,269
Real Estate	6,553,393
Total	<u>\$ 161,960,359</u>

The School System may terminate its membership in the MABE Trust and withdraw its allocated investment balance by providing written notification six months prior to the intended date of withdrawal.

Market Risk

The School System's investments are exposed to various risks, such as interest rate, market, currency, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment assets reported in the financial statements. Agency bonds are not backed by the full faith and credit of the United States Government.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (Continued)

As of June 30, 2026, the School System had the following investments and maturities:

	Governmental Activities	Fiduciary Fund	Total
United States Treasury Note - 0.7500% Matures August 31, 2026	\$ 2,985,820	\$ -	\$ 2,985,820
United States Treasury Note - 1.125% Matures October 31, 2026	3,967,708	-	3,967,708
United States Treasury Note - 4.375% Matures December 15, 2026	3,010,243	-	3,010,243
United States Treasury Note - 1.750% Matures December 31, 2026	3,965,783	-	3,965,783
United States Treasury Note - 2.250% Matures February 15, 2027	5,953,573	-	5,953,573
United States Treasury Note - 2.750% Matures April 30, 2027	2,977,148	-	2,977,148
United States Treasury Bill - .000% Matures July 9, 2026	5,995,457	-	5,995,457
Income Fund of America	102,627	-	102,627
Retiree Health Plan Trust	-	161,960,359	161,960,359
	<u>\$ 28,958,359</u>	<u>\$ 161,960,359</u>	<u>\$ 190,918,718</u>

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1 to 5	6 to 10	More than 10
U.S. Agencies	\$ 28,855,732	\$ 25,878,584	\$ 2,977,148	\$ -	\$ -
Income Fund of America	102,627	102,627	-	-	-
Total	<u>\$ 28,958,359</u>	<u>\$ 25,981,211</u>	<u>\$ 2,977,148</u>	<u>\$ -</u>	<u>\$ -</u>

Investments and Fair Value – Investments are measured at fair value on a recurring basis in accordance with the framework established by GASB Statement No. 72, *Fair Value Measurement and Application*. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as below:

Level 1 – inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School System has the ability to access.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets or inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 3 DEPOSIT AND INVESTMENT RISK (CONTINUED)

Investments (Continued)

Fair value of assets measured on a recurring basis at June 30, 2026 are as follows:

	Value	In Active Markets for Identical Assets (Level 1)	Observable Inputs (Level 2)
Government Agency Securities	\$ 28,855,732	\$ -	\$ 28,855,732
Mutual Fund - Income Fund	102,627	102,627	-
Total	<u>\$ 28,958,359</u>	<u>\$ 102,627</u>	<u>\$ 28,855,732</u>

Mutual funds are valued using prices quoted in active markets for those securities. U.S. government agency securities are valued using quoted market prices for similar securities.

NOTE 4 RECEIVABLES AND PAYABLES

Receivables and payables at June 30 consist of the following:

	Governmental Activities			Business-Type	
	General	Capital Projects	Internal Service	Activities	Total
<u>Due From Other Governments</u>					
County	\$ -	\$ 4,427,973	\$ -	\$ -	\$ 4,427,973
State	6,922,961	11,740,974	-	2,119,427	20,783,362
Federal	2,649,961	-	-	92,799	2,742,760
Other MD School Systems	122,898	-	-	-	122,898
Total	<u>\$ 9,695,820</u>	<u>\$ 16,168,947</u>	<u>\$ -</u>	<u>\$ 2,212,226</u>	<u>\$ 28,076,993</u>
<u>Other Receivables</u>					
Account	1,549,337	-	1,065,664	\$ 69	\$ 2,615,070
School Loans	272,800	-	-	-	272,800
Interest	74,493	-	-	-	74,493
Total	<u>\$ 1,896,630</u>	<u>\$ -</u>	<u>\$ 1,065,664</u>	<u>\$ 69</u>	<u>\$ 2,962,363</u>
<u>Accounts Payable</u>					
Vendor	\$ 2,320,286	\$ 11,897,750	\$ 284,741	\$ 31,670	\$ 14,534,447
Contractor Retainages	473,751	1,310,624	-	-	1,784,375
Total	<u>\$ 2,794,037</u>	<u>\$ 13,208,374</u>	<u>\$ 284,741</u>	<u>\$ 31,670</u>	<u>\$ 16,318,822</u>
<u>Accrued Liabilities</u>					
Payroll and Payroll Taxes	25,570,303	\$ -	\$ 4,305	\$ 125,863	\$ 25,700,471
Pending Insurance Claims	-	-	4,595,000	-	4,595,000
Current portion of Compensated Absences Reclassified in Statement of Net Position	(1,013,818)	-	-	-	(1,013,818)
Total	<u>\$ 24,556,485</u>	<u>\$ -</u>	<u>\$ 4,599,305</u>	<u>\$ 125,863</u>	<u>\$ 29,281,653</u>

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30 is as follows:

	Balance July 1, 2025	Additions	Disposals	Balance June 30, 2026
GOVERNMENTAL ACTIVITIES				
Capital Assets not Being Depreciated/Amortized (Cost):				
Land	\$ 9,749,615	\$ -	\$ -	\$ 9,749,615
Facilities under Construction	1,417,296	13,900,717	-	15,318,013
Total Capital Assets not Being Depreciated/Amortized	11,166,911	13,900,717	-	25,067,628
Capital Assets Being Depreciated/Amortized:				
Building and Building Improvements	408,285,568	132,376	(12,758)	408,405,186
Leased Building and Improvements	1,439,498	-	(64,462)	1,375,036
Furniture and Equipment	46,618,251	6,280,225	(2,300,413)	50,598,063
Leased Furniture and Equipment	2,991,101	339,614	(229,768)	3,100,947
Financed Equipment	304,282	-	(180)	304,102
Subscription Based Asset	3,335,138	-	(2,790,352)	544,786
Total Capital Assets Being Depreciated/Amortized	462,973,838	6,752,215	(5,397,933)	464,328,120
Less Accumulated Depreciation/Amortization for:				
Building and Building Improvements	(205,055,182)	(8,733,088)	12,758	(213,775,512)
Leased Buildings and Improvements	(171,595)	(81,090)	10,744	(241,941)
Furniture and Equipment	(27,018,379)	(4,212,605)	2,076,794	(29,154,190)
Leased Furniture and Equipment	(1,917,060)	(340,767)	283,487	(1,974,340)
Financed Equipment	(277,763)	(26,339)	-	(304,102)
Subscription Based Asset	(2,744,912)	(363,233)	2,790,352	(317,793)
Total Accumulated Depreciation/Amortization	(237,184,891)	(13,757,122)	5,174,135	(245,767,878)
Capital Assets Being Depreciated/Amortized, Net	225,788,947	(7,004,907)	(223,798)	218,560,242
Governmental Activities, Capital Assets, Net	<u>\$ 236,955,858</u>	<u>\$ 6,895,810</u>	<u>\$ (223,798)</u>	<u>\$ 243,627,870</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets Being Depreciated/Amortized:				
Furniture and Equipment	\$ 6,530,923	\$ 329,460	\$ (135,331)	\$ 6,725,052
Subscription Based Asset	193,629	-	-	193,629
Total Capital Assets Being Depreciated/Amortized	6,724,552	329,460	(135,331)	6,918,681
Less Accumulated Depreciation/Amortization for:				
Furniture and Equipment	(3,364,041)	(551,775)	265,888	(3,649,928)
Subscription Based Asset	(87,622)	(35,205)	-	(122,827)
Total Accumulated Depreciation/Amortization	(3,451,663)	(586,980)	265,888	(3,772,755)
Business-Type Activities, Capital Assets, Net	<u>\$ 3,272,889</u>	<u>\$ (257,520)</u>	<u>\$ 130,557</u>	<u>\$ 3,145,926</u>

Depreciation/Amortization Expense was charged to governmental activities as follows:

Administration	\$ 160,957
Mid-Level Administration	370,066
Other Instructional Costs	1,183,113
Special Education	28,890
Student Transportation Services	1,631,595
Operation of Plant	9,719,407
Maintenance of Plant	663,094
Total	<u>\$ 13,757,122</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 6 UNEARNED REVENUE

General Fund

As of June 30, 2026, unearned revenue totaling \$3,642,933 represents amounts received under restricted program agreements that exceed the related expenditures incurred to date. These funds are recognized as revenue when the associated program costs are incurred in accordance with the terms of the respective agreements.

Capital Projects Fund

As of June 30, 2026, there was no unearned revenue in the capital projects fund, as no funds were received in advance on capital maintenance projects as of that date.

Enterprise Fund

As of June 30, 2026, unearned revenue totaling \$295,080 includes \$148,778 in commodities donated by the federal government that are held in inventory and have not yet been consumed. Additionally, unearned revenue includes advance collections from student lunch ticket sales in the amount of \$146,555, which will be recognized as revenue when the meals are provided during the subsequent fiscal year.

NOTE 7 INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30 are as follows:

	<u>Interfund Payable</u>	<u>Interfund Receivable</u>
Governmental Activities		
General Fund	\$ 193,287	\$ 4,271,197
Capital Projects Fund	4,271,197	-
Total Governmental Activities	<u>4,464,484</u>	<u>4,271,197</u>
Business-Type Activities		
Food Service Fund	-	3,671,190
Self-Insurance Fund	3,477,903	-
Total Interfund Balances	<u><u>\$ 7,942,387</u></u>	<u><u>\$ 7,942,387</u></u>

The above balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur; (2) transactions are recorded in the accounting system; and (3) payments between funds are made. Interfund receivables and payables are not interest-bearing and are normally settled in the subsequent period.

The School System approved transfers of \$391,097 from the current expense fund to the food service fund for the year ended June 30, 2026, to pay for summer school meals, certain outdoor school meals, food service employees' salaries and benefits, and adjustments to delinquent school accounts.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 8 LONG-TERM LIABILITIES

General long-term liabilities consist of lease obligations, accumulated compensated absences payable, net pension liability, and the net OPEB liability. The note payable, which carried an interest rate of 2.35% and was secured by the equipment under lease, was paid off in full during the year and had an original maturity date of 2026.

The following is a summary of changes in the School System's long-term liabilities for the year ended June 30:

	Balance As July 1, 2025	Additions	Maturities/ Disposals	Balance June 30, 2026	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Notes Payable	\$ 51,730	\$ -	\$ (51,730)	\$ -	
Lease Liability	2,111,992	339,614	(378,407)	2,073,199	382,218
Subscription Liability	444,504	-	(221,672)	222,832	108,698
	2,608,226	339,614	(651,809)	2,296,031	490,916
Other Long-Term Liabilities					
Compensated Absences *	34,248,604		(1,078,844)	33,169,760	8,461,769
Net Pension Liability *	23,489,401		(339,972)	23,149,429	-
Net Other Post-Employment Liability *					
Benefits	197,194,696		(25,993,931)	171,200,765	-
	254,932,701	-	(27,412,747)	227,519,954	8,461,769
Governmental Activities Long-Term Liabilities	257,540,927	339,614	(28,064,556)	229,815,985	8,952,685
BUSINESS-TYPE ACTIVITIES					
Subscription Liability	112,116	-	(35,564)	76,552	37,342
Other Long-Term Liabilities					
Compensated Absences *	729,427		(154,572)	574,855	-
Net Pension Liability *	4,604,947	410,130	-	5,015,077	-
Net Other Post-Employment Liability *					
Benefits	4,489,304	-	(270,178)	4,219,126	-
Business-Type Long-Term Liabilities	\$ 9,935,794	\$ 410,130	\$ (460,314)	\$ 9,885,610	37,342

*The changes in compensated absences, Net Pension Liability, and Net Other-Post Employment Liability are presented as net change

The School System's Note Payable is for various financed equipment. Below are future principal and interest payments.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2027	\$ -	\$ 1,215	\$ 1,215
Total	\$ -	\$ 1,215	\$ 1,215

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026

NOTE 9 FUND BALANCES/NET POSITION

The financial statements present fund balances / net position based on classifications that comprise a hierarchy that is based primarily on the extent to which the School System is bound to honor constraints on the specific purposes for which amounts in the respective funds can be spent. The classifications used in the financial statements are as follows:

	General Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable			
Inventory	\$ 86,019	\$ -	\$ 86,019
Prepays	799,171	-	799,171
Total Nonspendable	885,190	-	885,190
Restricted -			
Grants	-	-	-
Flexible Spending Plan	85,871		85,871
Scholarships	276,028	-	276,028
Total Restricted	361,899	-	361,899
Committed			
School Loans	710,238	-	710,238
Facilities	510,891	-	510,891
Total Committed	1,221,129	-	1,221,129
Assigned			
Student Activities	4,102,063	-	4,102,063
Encumbrances	7,369,445	-	7,369,445
Total Assigned	11,471,508	-	11,471,508
Unassigned	30,193,474	(1,310,624)	28,882,850
Total	<u>\$ 44,133,200</u>	<u>\$ (1,310,624)</u>	<u># \$ 42,822,576</u>

NOTE 10 RISK MANAGEMENT

The School System is exposed to various risks of loss to torts, theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disasters. The School System is one of seventeen Boards of Education within the state of Maryland belonging to the Maryland Association of Boards of Education Group Insurance Pool (the Pool), a public entity risk pool organized as a trust. The School System pays an annual premium to the Pool for its property, liability, and automobile coverage. Such premiums are actuarially calculated for the Pool as a whole based on loss data and are allocated to members based on student enrollment, number, and type of vehicles as well as experience modification factors. The Pool is reinsured on a claims-made basis for legal liability, covering claims aggregating \$3 million per School System per year.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10 RISK MANAGEMENT (CONTINUED)

Additionally, the School System is one of seventeen Boards of Education within the state of Maryland belonging to the Maryland Association of Boards of Education Workers' Compensation Group Self-Insurance Fund (the Fund). The Fund was established as a public entity risk pool organized to provide worker's compensation indemnity and medical benefits coverage for participating school boards. The Fund is operated under regulations promulgated by the State's Worker's Compensation Commission (COMAR 14.09.02). Each Fund participant pays an annual premium calculated on its payroll, according to the standard classifications, with an experience modification applied. Premiums billed to the Fund members are determined on an actuarial basis. Six months following the end of the Fund's fiscal year, the Fund's trustees declare unneeded funds as surplus and may distribute 50% of the declared surplus as dividends or rate stabilization to the Fund members. This dividend distribution is made no sooner than one year after the close of that fiscal year. Members dedicate the remaining 50% of the surplus each year to a surplus fund until it reaches 75% net annual premium. The Fund carries an excess insurance policy providing specific excess and employer liability protection coverage, thus reducing the potential of assessment against Fund members. The Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation claim.

Settled claims from these risks have not exceeded the insurance plan coverage during any of the past three years.

The School System also offers a program of self-insured health, dental, and vision benefits to its employees and retirees. Charges are made to other funds, employees, and retirees for their respective share of the costs in amounts planned to match the estimated claims, the cost of insurance premiums for coverage in excess of self-insured amounts, and the administrative costs in providing the program. Such costs are also offset by interest income earned from investing receipts until they are paid out in the form of claims or expenses. Administrative costs directly related to the program are borne by the Self- Insurance Fund.

In accordance with the Governmental Standards Board's Statement No. 10 *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* charges to other funds must be accounted for as revenue by an internal service fund and expenditures/expenses by the other funds. The amounts of these charges were \$58,526,918 for the year ended June 30, 2026.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 10 RISK MANAGEMENT (CONTINUED)

The Self-Insurance Fund's accrued liabilities include an estimate of the amount to be paid for self-insured claims incurred prior to June 30, 2026 and 2025. This estimate is prepared based upon the School System's experience and other relevant facts. The liability is recorded as an accrued liability in the government-wide and proprietary statements of net position. Changes in the fund's claims liability amount for the years ended June 30, 2026 and 2025, were as follows:

	2026	2025
Liability - Beginning of Year	\$ 4,265,000	\$ 4,164,128
Claims and Changes in Estimates During the Year	87,669,251	81,584,403
Claims Paid	(87,339,251)	(81,483,531)
Liability - End of Year	<u>\$ 4,595,000</u>	<u>\$ 4,265,000</u>

NOTE 11 PENSION PLAN

Plan Description

The employees of the Board are covered by the Maryland State Retirement and Pension System (the System), which is a multiemployer cost sharing employer defined benefit public employee retirement system. While there are five retirement and pension systems under the System, employees of the Board are a member of either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems. The Plans are administered by the State Retirement Agency. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15-member Board of Trustees. The System issues a publicly available financial report that can be obtained at <http://www.sra.state.md.us>. The System provides retirement allowances and other benefits to State teachers and employees of participating governmental units, among others. The School System participates in the Maryland Teachers' Retirement System (TRS), the Maryland Teachers' Pension System (TPS), the Maryland State Employee's Retirement System (ERS), and the Maryland State Employee's Pension System (EPS). Eligible professional and clerical personnel are covered under TRS or TPS. Eligible maintenance, custodial, and food service personnel are covered under ERS or EPS.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided

Maryland Teacher's Retirement System (TRS)

Under TRS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is 1/55th of average final compensation for the three highest years as a member for each year of creditable service. Creditable service is based on a full normal working time for teachers – ten months equals one year. TRS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.5% for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is 1/55th of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than 1/55th of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. TRS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the TRS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Maryland Teacher's Pension System (TPS)

Under TPS, there are two membership classes. All employees who were members on or before June 30, 2011, participate in the Alternate Contributory Pension Selection (ACPS) and all employees who enroll after July 1, 2011 participate in the Reformed Contributory Pension Benefit (RCPB). ACPS members qualify for normal retirement benefits upon (a) completing 30 years of eligible service, (b) reaching 62 with five years of eligible service, (c) reaching age 63 with four years of eligible service, (d) reaching age 64 with three years of eligible service, or © reaching age 65 or older with two years of eligible service. ACPS members are eligible for early retirement benefits after attainment of the age 55 with at least 15 years of eligible service. RCPB members qualify for normal retirement benefits when they attain a combined age and eligibility service of 90 years or after reaching age 65 with 10 years of eligible service. RCPB members are eligible for early retirement after attaining the age of 60 with at least 15 years of eligible service. Benefits are generally equal to 0.8%-1.8% of the member's final average salary multiplied by the number of years of credited service, depending upon membership class.

Participants are eligible for ordinary disability retirement benefits after completing five years of service. The benefit allowance is computed on the basis that the service continues until age 62 without any change in rate of earnable compensation. If disability occurs after age 62 (age 65 for RCPB), the benefit is based on creditable service at time of retirement. Participants are eligible for accidental disability retirement benefits if the disability occurred in the actual performance of the employee's duty.

The accidental disability benefits is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the TPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Maryland Employee's Retirement System (ERS)

Under ERS, the members are eligible for full service retirement allowances upon attaining age 60 or upon accumulating 30 years of eligible service regardless of age. The retirement allowance is $1/55^{\text{th}}$ of average final compensation for the three highest years as a member for each year of creditable service. ERS members are eligible for early service retirement allowances upon accumulating at least 25 years prior to attaining age 60. The service retirement allowance is reduced by 0.5% for each month that date of retirement proceeds the earlier of age 60 or the date the member would have completed 30 years of eligibility service. The maximum reduction is 30%.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligibility service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The ordinary disability benefit is $1/55^{\text{th}}$ of average final compensation for the three highest years as a member for each of creditable service. The minimum benefit is 25% of average final compensation; the maximum benefit can be not greater than $1/55^{\text{th}}$ of average final compensation for each year of creditable service the member would have accrued if employment continued to age 60. ERS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to $66 \frac{2}{3}\%$ of the employee's average final compensation for the three highest consecutive years as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the ERS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions. If the member dies prior to accruing one year of service, payment is only the return of accumulated member contributions.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Benefits Provided (Continued)

Maryland Employee's Pension System (EPS)

Under the EPS plan, members are eligible for full service pension allowance upon accumulating 30 years of eligible service regardless of age. Absent 30 years of eligible service, members must meet one of the following conditions to be eligible for full service pension allowance: (a) age 62 with five years of eligible service, (b) age 63 with four years of eligible service, (c) age 64 with three years of eligible service, or (d) age 65 or older with two years of eligible service. Members are eligible for early service pension liability upon attaining age 55 with at least 15 years of service or attaining age 60 with 15 years of service, depending on plan. Allowances for both normal and early retirement are based on membership class.

They are also eligible for ordinary disability retirement allowance upon completing five years of eligible service and receiving certification from the Medical Board that they are permanently incapable of performing their necessary job function. The benefit is the service retirement allowance computed on the basis that service continues until age 62 (age 65 for RCPB) without any change in the rate of earnable compensation. EPS members are eligible for accidental disability benefits if the Medical Board certifies that, in the course of job performance and as the direct result of an accidental injury, they become totally and permanently disabled. The accidental disability benefit is equal to 66 2/3% of the employee's average final compensation for the three highest consecutive years (five years for RCPB) as a member plus the annuity provided by accumulated member contributions but cannot be greater than the average final compensation.

To be eligible for death benefits under the EPS plan, members must have either accumulated at least one year of eligible service prior to date of death or died in the line of duty. Such benefits consist of a one-time lump sum payment equal to the member's annual earnable compensation at the time of death, plus accumulated member contributions.

Contributions

The Board and covered members are required by State statute to contribute to the System. Members of the Teachers' Pension System and the Teachers' Retirement System are required to contribute 7% annually. Members of the Employees' Pension System and Employees' Retirement System are required to contribute 5-7% annually, depending on the retirement option selected. The contribution requirements of the System members, as well as the State and participating governmental employers are established and may be amended by the Board of Trustees for the System.

Beginning in FY2017, the Board pays the normal cost for their teachers in the Teachers Retirement and Pension System while the State contributes on behalf of the Board, the unfunded liability portion of the Board's annual required contribution to the Teachers' Retirement and Pension System, which for the year ended June 30, 2026 was \$9,634,610. The State's contributions on behalf of the Board for the year ended June 30, 2026 was \$21,562,646. The fiscal 2026 contributions made by the State on behalf of the Board have been included as both revenues and expenditures in the general fund in the accompanying statement of revenues, expenditures and changes in fund balances.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Contributions (Continued)

The Board's contractually required contribution rate for the Employees' Retirement and Pension Systems for the year ended June 30, 2026, was 12.84% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Board made its share of the required contributions during the year ended June 30, 2026 of \$3,737,786.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2026, the School System reported a liability for its proportionate share of the pension liability that reflected a reduction for state pension support provided to the School System. The amount recognized by the School System as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the School System were as follows:

	Teachers' Retirement and Pension System	Employees' Retirement and Pension System
School System's Proportionate Share of Net Pension Liability	\$ -	\$ 28,164,506
State's Proportionate Share of Net Pension Liability Associated with the School System	165,363,246	-
Total	<u>\$ 165,363,246</u>	<u>\$ 28,164,506</u>
<u>Split of Net Pension Liability</u>		
Governmental Activities		\$ 23,149,429
Business-Type Activities		5,015,077
Total		<u>\$ 28,164,506</u>

The net pension liability was measured as of June 30, 2025 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School System's proportion of the net pension liability was based on a projection of the School System's long-term share of contributions to the pension plan relative to the projected contributions of all participating School Systems, Libraries and the State, actuarially determined. As of June 30, 2025 measurement date, the School System's proportionate share was .1095647%, which is an increase of .0027601% from its proportion measured as of June 30, 2025.

Since the state of Maryland pays the unfunded liability and the School System pays the normal cost for the TPS and TRS plans, the local Boards of Education are not required to record their share of the unfunded pension liability but instead, that liability is to be recorded by the state of Maryland.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2026, the School System recognized pension expense of \$4,969,288. As of June 30, 2026, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual		
Investment Earnings	\$ -	\$ 822,981
Difference Between Expected and Actual		
Experience	3,693,595	469,078
Change in Proportion	1,775,482	81,751
Change in Assumptions	1,412,020	66,221
Contributions Subsequent to the Measurement Date	3,737,786	-
Total	<u>\$ 10,618,883</u>	<u>\$ 1,440,031</u>
 <u>Split of Deferred Outflows / Inflows of Resources</u>		
Governmental Activities	\$ 8,728,045	\$ 1,183,614
Business-Type Activities	1,890,838	256,417
	<u>\$ 10,618,883</u>	<u>\$ 1,440,031</u>

\$3,737,786 is reported as deferred outflows of resources related to pensions resulting from the School System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	Governmental Activities	Business-Type Activities	Total
2027	\$ 1,658,072	\$ 359,047	\$ 2,017,119
2028	1,531,084	331,549	1,862,633
2029	791,340	171,361	962,701
2030	301,464	65,280	366,744
2031	190,596	41,273	231,869
Total	<u>\$ 4,472,556</u>	<u>\$ 968,510</u>	<u>\$ 5,441,066</u>

Actuarial Methods and Assumptions

The following methods and assumptions were used in the actuarial valuation for the June 30, 2025 measurement date:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Inflation	2.5% General, 3.0% Wage
Salary Increases	3% to 22.5% Including Inflation
Investment Rate of Return	6.80%

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Retirement age was based on an experience-based table of rates that are specific to the type of eligibility condition and was last updated for the 2024 valuation pursuant to an experience study for the period July 1, 2018 to June 30, 2023. Mortality rates were based on Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2021 (fully generational) mortality improvement scale.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	34 %	5.9 %
Private Equity	16	8.5
Rate Sensitive	20	3.0
Credit Opportunity	9	5.4
Real Assets	15	5.9
Absolute Return	6	3.8
Total	<u>100 %</u>	

Discount Rate

The single discount rate of 6.80% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.80%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 11 PENSION PLAN (CONTINUED)

Sensitivity of the School System's Proportionate Share of the Net Pension Liability to Change in the Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 6.80% as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease Rate 5.80%	Current Discount Rate 6.80%	1% Increase Rate 7.80%
School System's Proportionate Share of the net Pension Liability - EPS and ERS	\$ 41,875,492	\$ 28,164,506	\$ 16,736,331

Additional Financial and Actuarial Information

Additional financial information supporting the preparation of the schedule of employer allocations and the schedule of pension amounts by employer (including the disclosure of the net pension liability and the unmodified audit opinion on the financial statements) is located in the System's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description

In addition to pension benefits, the School System provides other post-employment benefits (OPEB), including health care and life insurance, to retired employees, their spouses, dependents, and surviving family members. On April 15, 2008, the Board established the Retiree Benefit Trust of the Board of Education of Washington County—a single-employer defined benefit plan—to fund future retiree health and welfare benefits. The Trust joined the Maryland Association of Boards of Education (MABE) Pooled OPEB Investment Trust, which allows member boards to pool assets, reduce investment costs, and share administrative expenses. Each member appoints a trustee to ensure proper separation and reporting of assets. Trust assets are reported using the economic resources measurement focus and accrual basis of accounting. Expenses are recorded when incurred, contributions when earned and measurable, and investments are reported at fair value based on published prices or broker quotations.

The Board reserves the right to establish and amend the provisions of its relationship with the MABE Trust with respect to its participants, any benefit provided thereunder, or its participation therein, in whole or in part at any time, by resolution of its governing body and upon advance notice to the Trustees of the MABE Trust.

The Maryland Association of Boards of Education Pooled OPEB Investment Trust issues an annual financial report for the Trust. That report may be obtained by writing to Maryland Association of Boards of Education, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401, or by calling 1-800-841-8197.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Plan Description (Continued)

Eligible participants include employees, former employees, or beneficiaries of Washington County Public Schools who are receiving pensions. Participants must meet the retirement eligibility requirements of the State of Maryland Employees' and Teachers' Pension System (EPS). Under EPS, members hired on or after July 1, 2011 are in the Reformed Contributory Pension System. The earliest retirement eligibility under the Reformed Contributory Pension System is the earlier of:

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service, or
- Age 60 with 15 years of service.

For other members of EPS, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service (regardless of age).

Under EPS, there are two types of disability benefits, ordinary and accidental. Ordinary disability under EPS requires five (5) years of eligibility service. There is no service credit requirement for accidental disability.

Retirees can continue the same medical coverage they had (including family coverage) as active employees. Retirees receive a subsidy for their post-retirement medical insurance based on points (Age + Service). A minimum of 66 points (with 5 years of service) is required to receive a subsidy. The maximum subsidy of 85% is reached at 85 points (note this is a blended subsidy percentage based on the subsidy for each plan and the current enrollment distribution). Retirees with less than 66 points are allowed access but must pay 100% of the published rates.

Contributions

The School System will contribute the higher of the budgeted pay-go amount or actual pay-go amount to the trust for fiscal year 2026. Because of the sponsor's funding policy, it is anticipated the sponsor's cash requirement will increase as time goes on. For the year ended June 30, 2026, the School System's average contribution rate was 7.28% of covered payroll. Employees are not required to contribute to the plan. Total claims paid on behalf of retirees amounted to \$20,604,835 of which \$4,711,702 was reimbursed through contributions received from retirees for the year ended June 30, 2026. In addition, the School System contributed \$1,613,000 to the MABE Trust for the year ended June 30, 2026.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Employees Covered by Benefit Terms

The School System partially supports the group insurance plan for retired employees. Eligibility is determined by a point system based on a retiree's age at the date of retirement and the number of years of service with the School System. The School System pays up to a maximum of 85% of the premium of the standard plan, based on the points earned. There were 3,596 active employees and 1,527 inactive employees or beneficiaries currently receiving benefit payments at the June 30, 2025 measurement date.

Investments

The MABE Trust's policy in regard to the allocation of invested assets is established and may be amended by the Trustees by a majority vote of its members. It is the policy of the Trust to pursue an investment strategy that emphasizes growth of principal while avoiding excess risk. Short-term volatility will be tolerated inasmuch as it is consistent with the volatility of a comparable market index. The MABE Trust's investment policy discourages the use of cash equivalents, except for liquidity purposes and aims to refrain from dramatically shifting asset class allocations over short time span. The following is the MABE Trust's adopted asset allocation policy as of June 30, 2026 and 2025:

2026		2025	
Asset Class	Percent Target Allocation	Asset Class	Percent Target Allocation
U.S. Equity	30 %	U.S. Equity	30 %
Non U.S. Equity	23	Non U.S. Equity	23
Fixed Income	40	Fixed Income	40
Real Estate	4	Real Estate	4
Cash	3	Cash	3
Total	100 %	Total	100 %

Rate of Return

For the year ended June 30, 2026 the annual money-weighted rate of return on investments, net of investment expense, was 15.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment in External Investment Pool

The School System has funds designated for Other Post-employment Benefits (OPEB) that are held by the Maryland Association of Board of Education (MABE) in the MABE OPEB Trust (MABE Trust). The MABE Trust is administered by the MABE and is a wholly-owned instrumentality of its members. The ten members who are sole contributors to the MABE Trust consist of Allegany Fiduciary Fund and the boards of education of the following counties in Maryland: Allegany, Caroline, Cecil, Charles, Harford, Kent, Prince George's, St. Mary's, and Washington.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Investment in External Investment Pool (Continued)

The MABE Trust is audited annually by an independent CPA firm. The audit report is usually issued by September 1st of each year, a copy of which can be obtained by sending a request to the following address: Administrator of the MABE Pooled Investment Trust, 621 Ridgely Road, Suite 300, Annapolis, Maryland 21401-1112.

Net OPEB Liability

The OPEB liabilities for the School System as of June 30, 2026 are calculated using a measurement date of June 30, 2025. Therefore, plan information for the year ended June 30, 2025 is utilized.

The net OPEB liability as of June 30, 2025 measurement date (liability recorded on the statement of net position as of June 30, 2026) and June 30, 2027 (for plan disclosure) was as follows:

2025

Total OPEB Liability	\$ 314,781,564
Plan Fiduciary Net Position	139,361,673
Net OPEB Liability	<u><u>\$ 175,419,891</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	44.27%
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2026

Total OPEB Liability	\$ 289,980,000
Plan Fiduciary Net Position	161,960,000
Net OPEB Liability	<u><u>\$ 128,020,000</u></u>

Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	55.85%
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Actuarial Methods and Assumptions

The Total OPEB Liability used to calculate the Net OPEB Liability was measured as of June 30, 2025. An actuarial valuation was performed as of June 30, 2024, and updated to June 30, 2025 using standard actuarial rollforward procedures to reflect the effects of experience, assumption changes, and benefit payments occurring between the valuation date and the measurement date. The actuarial assumptions used in the measurement were applied to all periods included in the measurement, unless otherwise specified:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the current HCA Consulting trend study and are applied in a select and ultimate basis. Select trends are reduced 0.30% each year through 2033, and .10% thereafter until reaching the ultimate trend rate.

<u>Expense Type</u>	<u>Select</u>	<u>Ultimate</u>
Pre-Medicare Medical and Rx Benefits	7.75 %	4.00 %
Medicare Benefits	6.75	4.00
Stop-Loss Fees	7.75	4.00
Administrative Fees	4.00	4.00

Mortality rates were based of the Pub-2010 mortality table projected generationally using scale MP-2021. The inflation rate used for used was 2.7%.

Plan Participation percentage is the assumed rate of future eligible retirees who elect to continue health coverage at retirement. It is assumed that 100% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. This assumes that a one-time irrevocable election to participate is made at retirement.

Best estimates of the arithmetic real rates of return including inflation for each major asset class included in the target asset allocation as of June 30, 2026 (see the discussion of the MABE Trust's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Rate of Return Percent</u>
Cash and Cash Equivalents	1.13 %
Equity Securities	27.02
Fixed Income	0.40
Real Estate	10.07

The discount rate used to determine the total OPEB liability was 6.18% and 5.48% for the years ended June 30, 2026 and 2025. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The expected long term rate of return on trust assets, to the extent the net fiduciary position is projected to be sufficient to provide benefits.

Changes of Assumptions. Since the prior valuation, the discount rate was updated from 5.48% to 6.18%.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Change in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Total OPEB Liability - Beginning of Year (Based on 6/30/2024 Measurement Date)	\$ 329,713,501	\$ 128,029,459	\$ 201,684,042
Changes for the Year:			
Service Cost	11,470,721	-	11,470,721
Interest Cost	18,335,208	-	18,335,208
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	2,319,827	-	2,319,827
Changes in Assumptions or Other Inputs (Other Changes, Separately Identified if Significant)	(31,537,609)	-	(31,537,609)
Contributions - Employer	-	16,679,599	(16,679,599)
Net Investment Income	-	10,189,491	(10,189,491)
Benefit Payments	(15,520,084)	(15,520,084)	-
Administrative Expense	-	(16,792)	16,792
Net Change in Total OPEB Liability	<u>(14,931,937)</u>	<u>11,332,214</u>	<u>(26,264,151)</u>
Total OPEB Liability - End of Year (Based on 6/30/2025 Measurement Date)	<u>\$ 314,781,564</u>	<u>\$ 139,361,673</u>	<u>\$ 175,419,891</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the School System at June 30, 2025, as well as what the School System's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.18%) or 1-percentage-point higher (6.18%) than the current discount rate:

	1% Decrease Rate 5.18%	Current Discount Rate 6.18%	1% Increase Rate 7.18%
Net OPEB Liability	<u>\$ 224,346,000</u>	<u>\$ 175,420,000</u>	<u>\$ 135,807,000</u>

The following represents the sensitivity of the net OPEB liability at June 30, 2026:

	1% Decrease Rate 6.75%	Current Discount Rate 7.75%	1% Increase Rate 8.75%
Net OPEB Liability	<u>\$ 164,029,000</u>	<u>\$ 128,020,000</u>	<u>\$ 97,868,000</u>

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB liability of the School System at June 30, 2025, as well as what the School System's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower, or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Medical Trend Rate	1% Increase
Net OPEB Liability	<u>\$ 128,269,000</u>	<u>\$ 175,420,000</u>	<u>\$ 235,986,000</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 12 OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

Sensitivity of the Net OPEB liability to Changes in the Healthcare Cost Trend Rates (Continued)

The following represents the sensitivity of the net OPEB liability at June 30 2026:

	1% Decrease	Medical Trend Rate	1% Increase
Net OPEB Liability	\$ 91,884,000	\$ 128,020,000	\$ 172,678,000

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2026, the School System recognized OPEB expense of \$13,309,000. As of June 30, 2026, the School System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Projected and Actual Investment Earnings	\$ -	\$ 1,235,986
Difference Between Expected and Actual Experience	30,133,139	61,228,026
Change in Assumptions	53,194,973	58,795,760
Change in Proportion	-	-
Contributions Subsequent to the Measurement Date	17,506,133	-
Total	<u>\$ 100,834,245</u>	<u>\$ 121,259,772</u>
<u>Split of Deferred Outflows / Inflows of Resources</u>		
Governmental Activities	\$ 98,409,022	\$ 118,343,282
Business-Type Activities	2,425,223	2,916,490
Total	<u>\$ 100,834,245</u>	<u>\$ 121,259,772</u>

\$17,506,133 is reported as deferred outflows of resources related to OPEB resulting from the School System contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2027. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	Governmental Activities	Business-Type Activities	Total
2027	\$ (3,826,813)	\$ (94,309)	\$ (3,921,122)
2028	(7,521,047)	(185,351)	(7,706,398)
2029	(6,785,544)	(167,225)	(6,952,769)
2030	(6,340,850)	(156,266)	(6,497,116)
2031	(5,727,532)	(141,151)	(5,868,683)
Thereafter	(6,817,558)	(168,014)	(6,985,572)
Total	<u>\$ (37,019,344)</u>	<u>\$ (912,316)</u>	<u>\$ (37,931,660)</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 13 COMMITMENTS AND CONTINGENCIES

Litigation

In the normal course of business, there are various claims and suits pending against the School System. Management is of the opinion that these matters will not have a material adverse effect on the School System's financial position at June 30, 2026.

School Construction and Major Repairs

As of June 30, 2026, the School System entered into various school construction commitments that will be funded by the state of Maryland or County sources, totaling approximately \$45,765,133 and a portion of these commitments are included in encumbrances.

Encumbrances

As of June 30, 2026, the School System had outstanding purchase orders and contracts of \$50,845,272. These amounts are partially included in assigned fund balance in the appropriate funds.

Current Expense Fund - Unrestricted	\$ 6,129,375
Current Expense Fund - Restricted	1,240,070
Capital Projects Fund	43,475,827

Grants

The School System is party to various grants with Federal and State agencies, which are subject to program and compliance audits by the grantors or under the Single Audit Act Amendments of 1996. School System officials believe that any audit adjustments resulting from final settlements will be immaterial in relation to the School System's financial resources.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 14 LEASES AND SUBSCRIPTION LIABILITY

Pertinent information regarding the leases and subscription liabilities is present below:

GOVERNMENTAL ACTIVITIES

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/26	Asset Value 6/30/26	Accumulated Amortization 6/30/26
Various	\$3,100,947.80	The School System entered into 12-year bus contracts with various contractors. Monthly payments range from \$727 to \$1,149. These payments are the per vehicle allotment (PVA), which is the School System's payment to use the bus. The lease(s) have an interest rate of 5%.	\$ 1,250,697	\$ 3,100,946	\$ 1,974,340
7/1/2024	\$452,520.72	The School System entered into a lease agreement to lease space from The Maryland Theatre. For 2026, the semi-annual payment was \$26,333. This payment increases from year to year. The lease bears an interest rate of 5%.	\$ 377,967	\$ 452,521	\$ 82,276
8/1/2023	\$544,786.71	The School System entered into a subscription agreement to lease backup cloud services from CDW Government. The annual payment is \$119,840. The lease bears an interest rate of 5%. (SBITA)	\$ 222,832	\$ 544,787	\$ 317,792
4/1/2024	\$436,603.87	The School System entered into a contract with Everside Health to fund the build out of the WCPS Employee health clinic. This was a one time payment of \$0. The buildout bears an interest rate of 5%.	\$ -	\$ 436,604	\$ 75,566
4/1/2024	\$485,911.24	The School System entered into a lease agreement with Everside Health to reimburse monthly the lease for the WCPS employee health clinic. The monthly payment is \$3,895. The lease bears an interest rate of 5%.	\$ 444,535	\$ 485,911	\$ 84,100
Total Governmental Activities			<u>\$ 2,296,031</u>	<u>\$ 5,020,769</u>	<u>\$ 2,534,074</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2026**

NOTE 14 LEASES AND SUBSCRIPTION LIABILITY (CONTINUED)

BUSINESS - TYPE ACTIVITIES

Date of Issue	Initial Liability	Purpose	Outstanding Liability Balance 6/30/26	Asset Value 6/30/26	Accumulated Amortization 6/30/26
1/5/2023	\$ 193,629	The School System entered into a subscription agreement to lease food service software from EMS LINQ. The annual payment is \$41,170. The lease bears an interest rate of 5%. (SBITA)	\$ 76,552	\$ 193,629	\$ 122,827
Total Business-Type Activities			<u>\$ 76,552</u>	<u>\$ 193,629</u>	<u>\$ 122,827</u>

The future principal and interest lease/subscription payments as of June 30, 2026 were as follows:

GOVERNMENTAL ACTIVITIES				BUSINESS-TYPE ACTIVITIES			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2027	\$ 490,917	\$ 115,117	\$ 606,034	2027	\$ 37,342	\$ 3,828	\$ 41,170
2028	435,691	89,501	525,192	2028	39,210	1,960	41,170
2029	273,300	66,721	340,021	2029	-	-	-
2030	238,344	51,962	290,306	2030	-	-	-
2031	230,490	38,799	269,289	2030	-	-	-
2032-2036	627,289	74,669	701,958	2031-2035	-	-	-
Total	<u>\$ 2,296,031</u>	<u>\$ 436,769</u>	<u>\$ 2,732,800</u>	Total	<u>\$ 76,552</u>	<u>\$ 5,788</u>	<u>\$ 82,340</u>

NOTE 15 DEFINED CONTRIBUTION PLANS

The School System has two defined contribution plans. A 403(b) plan and a 457 deferred compensation plan. Eligible employees are permitted to make contributions up to applicable Internal Revenue Code limits. There are no employer contribution made for either plan. For the year ended June 30, 2026, participant contributions totaled \$1,036,009 for the 457 plan and \$3,408,888 the 403(b) plan.

Participants are immediately vested in all contributions and earnings on those contributions. For June 30, 2026 the 457 plan had outstanding loans of \$153,493 and the 403(b) plan had outstanding loans of \$316,847. There were no forfeitures from the plans for fiscal year ended June 30, 2026. The School System had no liability to the Plans at June 30, 2026.

REQUIRED SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
UNRESTRICTED CURRENT EXPENSE FUND
YEAR ENDED JUNE 30, 2026**

	Budget		Variance with Original Budget Over (Under) Final Budget		Variance with Final Budget Over (Under) Actual
	Original	Final		Actual	
REVENUES					
Local	\$ 120,412,352	\$ 120,412,352	\$ -	\$ 120,412,352	\$ -
State Maryland	248,439,467	248,162,323	(277,144)	248,498,122	335,799
Federal Government	-	-	-	-	-
Tuition	115,500	210,000	94,500	195,969	(14,031)
Investment Income	1,000,000	1,900,000	900,000	1,928,078	28,078
Other	551,965	467,000	(84,965)	1,202,883	735,883
Total Revenues	370,519,284	371,151,675	632,391	372,237,404	1,085,729
EXPENDITURES					
Administration	9,739,864	9,364,911	(374,953)	8,357,758	(1,007,153)
Mid-level Administration	23,212,421	23,153,414	(59,007)	23,028,947	(124,467)
Instructional Salaries	136,157,369	135,592,543	(564,826)	134,102,105	(1,490,438)
Instructional Textbooks and Supplies	8,885,659	8,183,475	(702,184)	6,782,681	(1,400,794)
Other Instructional Costs	7,271,679	7,122,080	(149,599)	6,844,304	(277,776)
Special Education	35,347,822	36,043,811	695,989	35,654,972	(388,839)
Student Personnel Services	3,205,114	3,112,076	(93,038)	3,037,147	(74,929)
Student Health Services	4,655,300	4,879,725	224,425	4,613,449	(266,276)
Student Transportation Services	15,226,606	15,776,863	550,257	15,582,068	(194,795)
Operation of Plant	29,758,368	31,152,326	1,393,958	31,993,047	840,721
Maintenance of Plant	10,492,716	9,046,682	(1,446,034)	9,207,975	161,293
Fixed Charges	85,887,023	85,995,597	108,574	86,145,382	149,785
Capital Outlay	649,343	598,172	(51,171)	595,295	(2,877)
Food Service Transfers	30,000	1,130,000	1,100,000	885,959	(244,041)
Total Expenditures	370,519,284	371,151,675	632,391	366,831,089	(4,320,586)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	5,406,315	5,406,315
NET CHANGES IN FUND BALANCES	\$ -	\$ -	\$ -	\$ 5,406,315	\$ 5,406,315

*The School System does not complete an annual budget for the restricted portion of the Current Expense Fund.

See accompanying Notes to Required Supplementary Information.

WASHINGTON COUNTY BOARD OF EDUCATION

SCHEDULE OF CHANGES IN THE OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
TOTAL OPEB LIABILITY										
Service Cost	\$ 7,943,000	\$ 8,379,863	\$ 6,863,015	\$ 8,233,749	\$ 9,436,460	\$ 7,478,578	\$ 8,992,967	\$ 8,847,681	\$ 11,470,721	\$ 10,118,120
Interest	14,681,000	16,370,275	17,123,084	15,557,733	14,434,482	13,909,986	16,103,790	16,885,324	18,335,208	19,621,548
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	-	-	-	-	-	-	-	-
Changes of Assumptions or Other Inputs	3,092,000	-	(77,616,007)	(27,147,099)	(23,880,183)	29,057,957	3,494,147	6,006,239	2,319,827	(13,175,240)
Benefit Payments	(25,134,000)	(3,300,186)	31,393,017	31,506,966	(44,670,926)	6,546,788	(2,456,766)	22,322,225	(31,537,609)	(26,956,032)
Net Change in Total OPEB Liability	(9,107,020)	(9,809,436)	(10,493,958)	(10,224,179)	(11,528,785)	(12,802,872)	(14,691,036)	(14,424,395)	(15,520,084)	(14,410,174)
Total OPEB Liability - Beginning	(8,525,020)	11,640,516	(32,730,849)	17,927,170	(56,208,952)	44,190,437	11,443,102	39,637,074	(14,931,937)	(24,801,778)
TOTAL OPEB LIABILITY - ENDING	\$ 293,814,980	\$ 305,455,519	\$ 272,724,670	\$ 290,651,840	\$ 234,442,888	\$ 278,633,325	\$ 290,076,427	\$ 329,713,501	\$ 314,781,564	\$ 289,979,786
PLAN FIDUCIARY NET POSITION										
Contributions-Employer	\$ 13,884,583	\$ 13,971,146	\$ 14,716,200	\$ 17,546,185	\$ 17,436,952	\$ 19,291,401	\$ 20,691,036	\$ 20,424,395	\$ 16,679,599	\$ 16,023,174
Net Investment Income	6,509,385	4,206,475	4,724,786	2,457,658	19,910,121	(15,019,872)	9,020,408	8,655,992	10,189,491	21,001,994
Benefit Payments	(9,107,020)	(9,809,436)	(10,493,958)	(11,679,053)	(11,528,785)	(12,802,872)	(14,691,036)	(14,424,395)	(15,520,084)	(14,410,174)
Admin Expense	-	-	-	-	(16,144)	(16,245)	(16,831)	(16,562)	(16,792)	(16,308)
Net Change in Plan Fiduciary Net Position	11,286,948	8,368,185	8,947,028	8,324,790	25,802,144	(8,547,588)	15,003,577	14,639,430	11,332,214	22,598,686
Plan Fiduciary Net Position - Beginning	44,204,912	55,491,863	63,860,048	72,807,076	81,131,866	106,934,040	98,386,452	113,390,029	128,029,459	139,361,673
PLAN FIDUCIARY NET POSITION - ENDING	55,491,860	63,860,048	72,807,076	81,131,866	106,934,010	98,386,452	113,390,029	128,029,459	139,361,673	161,960,359
School System's Net OPEB Liability - Ending	\$ 238,323,120	\$ 241,595,471	\$ 199,917,594	\$ 209,519,974	\$ 127,508,878	\$ 180,246,873	\$ 176,686,398	\$ 201,684,042	\$ 175,419,891	\$ 128,019,427
Plan Fiduciary Net Position as Percentage of the Total OPEB Liability	18.89 %	20.91%	26.70%	27.91%	45.61%	35.31%	39.09%	38.83%	44.27%	55.85%
Covered Payroll	158,319,076	158,314,895	160,838,194	164,729,874	165,086,208	165,875,945	170,852,000	205,646,837	211,816,000	220,015,506
School System's net OPEB Liability as a Percentage of Covered Payroll	150.53%	152.60%	124.30%	127.19%	77.24%	108.66%	103.41%	98.07%	82.82%	58.19%

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For recording the net OPEB Liability in the School System's statement of net position., the measurement period year-end is one year prior to the fiscal year-end.

Notes to Schedule

Benefit Changes: None

Changes of Assumptions:

FY 2026 measurement date changes:

The discount rate was updated from 6.18% to 7.75%.

The trend rates were updated to an initial rate of 9.10% (8.10% for Post-65) grading down to an ultimate rate of 4.00%. The Select trend rates are updated to reflect the higher than anticipated rising healthcare costs environment.

The Salary Scale, termination and retirement rates were updated to reflect the Maryland State Retirement and Pension System Actuarial Valuation as of June 30, 2025

The base mortality table was updated from PUB-2010 to PUB-2016 to reflect the Society of Actuaries' recent mortality study.

The marriage rate assumption is updated to 45% for future retirees based on the actual retiree elections experience

FY 2025 measurement date changes:

The discount rate was updated from 5.48% to 6.18%.

FY 2024 measurement date changes:

The discount rate was updated from 5.77% to 5.48%.

The trend rates were updated to an initial rate of 7.75% (5.00% for Post-65) grading down to an ultimate rate of 4.00%.

The initial rate and the grade down period is extended to account for recent inflationary pressures and price increases over the next couple of years.

Salary scale was updated to the most recent rates in the Maryland State Pension Valuation.

FY 2023 measurement date changes:

The discount rate was updated from 5.71% to 5.77%.

FY 2022 measurement date changes:

The discount rate was updated from 5.88% to 5.71%.

FY 2021 measurement date changes:

The discount rate was updated from 4.88% to 5.88%.

The retirement and termination rates were updated to June 30, 2021 Maryland State Retirement and Pension System Actuarial valuation.

The trend rates were reset to an initial rate of 7.0% grading down by .25% per year to an ultimate rate of 4.00%

FY 2020 measurement date changes:

The mortality projection scale was updated to MP-2021 to reflect the Society of Actuaries' recent mortality study

FY 2019 measurement date changes

The discount rate was updated from 5.64% to 4.88%. :

The discount rate was updated from 5.58% to 5.64%.

The retirement and termination rates were updated to the rates from the June 30, 2019 Maryland State Retirement and Pension System Actuarial valuation.

The initial trend rate was updated to 7.0% for pre-65 and 6.0% for post-65, grading down by 0.50% each year until reaching the ultimate rate of 4.50%.

The mortality assumption was updated to Pub-2010 mortality table with generational scale MP- 2019 to reflect the Society of Actuaries' recent mortality study.

See accompanying Notes to Required Supplementary Information.

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially Determined Contribution	\$ 13,884,583	\$ 13,971,146	\$ 19,399,000	\$ 17,015,000	\$ 22,213,753	\$ 15,739,140	\$ 20,883,654	\$ 20,653,577	\$ 24,546,132	\$ 23,031,152
Contributions in Relation to the Actuarially Determined Contribution	13,884,583	13,971,146	14,716,200	17,546,185	17,436,952	19,291,401	20,691,036	20,424,395	17,506,133	16,023,174
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,682,800</u>	<u>\$ (531,185)</u>	<u>\$ 4,776,801</u>	<u>\$ (3,552,261)</u>	<u>\$ 192,618</u>	<u>\$ 229,182</u>	<u>\$ 7,039,999</u>	<u>\$ 7,007,978</u>
Covered Payroll	\$ 158,319,076	\$ 158,314,895	\$ 160,838,194	\$ 164,729,874	\$ 165,086,208	\$ 165,875,945	\$ 170,852,000	\$ 205,646,837	\$ 211,816,000	\$ 220,015,506
Contributions as a Percentage of Covered Payroll	8.77%	8.82%	9.15%	10.65%	10.56%	11.63%	12.11%	9.93%	8.26%	7.28%

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Experience/Assumptions Gains and Losses
Remaining Amortization Period	13.3 Years
Asset Valuation Method	Market Value of Assets
Inflation	2.70%
Healthcare Cost Trend Rates	Trend Rates Ranging from 9.00% to 4.0%, Reduced by .37% each Year for nine years and .10% thereafter Until Reaching the Ultimate Trend Rate of 4.0%.
Investment Rate of Return	7.75%, net of OPEB Plan Investment Expense, Including Inflation
Mortality	Pub-2016 Mortality Table With Generational Scale MP-2021

See accompanying Notes to Required Supplementary Information.

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S INVESTMENT RETURNS FOR THE OPEB PLAN
LAST TEN FISCAL YEARS**

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Annual Money-Weighted Rate of Return, net of Investment Expense	3.32 %	7.55 %	7.52 %	2.91 %	24.52 %	(13.35)%	8.78 %	7.62 %	7.95 %	15.06 %

See accompanying Notes to Required Supplementary Information.

WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST TEN MEASUREMENT PERIODS

<u>Employee Retirement and Pension System</u>	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
School System's Proportion of the net Pension Liability	0.0848 %	0.0737 %	0.0875 %	0.0898 %	0.0923 %	0.1003 %	0.0988 %	0.1053 %	0.1068 %	0.1096 %
School System's Proportionate Share of the net Pension Liability	\$ 20,007,483	\$ 15,951,949	\$ 18,360,969	\$ 18,526,969	\$ 20,859,450	\$ 15,047,274	\$ 19,773,792	\$ 24,261,120	\$ 28,094,348	\$ 28,164,506
School System's Covered Payroll	\$ 19,748,847	\$ 19,393,397	\$ 20,385,666	\$ 20,603,127	\$ 21,026,643	\$ 21,349,817	\$ 23,596,566	\$ 24,523,294	\$ 26,703,510	\$ 29,101,598
School System's Proportionate Share of the net Pension Liability as a Percentage of its Covered Payroll	101.31%	82.25%	90.07%	89.92%	99.20%	70.48%	83.80%	98.93%	105.21%	96.78%
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	65.79 %	69.38 %	71.18 %	72.34 %	70.72 %	81.84 %	76.27 %	69.58 %	68.09 %	70.42 %
<u>Teacher's Retirement and Pension System</u>										
School System's Proportion of the net Pension Liability	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
State's Proportionate Share of the net Pension Liability	\$ 197,254,642	\$ 174,161,097	\$ 172,486,537	\$ 161,969,534	\$ 177,794,499	\$ 110,420,501	\$ 149,545,420	\$ 146,915,168	\$ 161,215,295	\$ 165,363,246
School System's Covered Payroll	\$ 138,921,228	\$ 140,452,528	\$ 140,868,952	\$ 143,236,689	\$ 153,128,551	\$ 158,189,031	\$ 166,913,109	\$ 174,764,416	\$ 186,392,727	\$ 192,352,181
School System's Proportionate Share of the net Pension Liability as a Percentage of its Covered Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Plan Fiduciary net Position as a Percentage of the Total Pension Liability	67.95 %	71.41 %	73.35 %	75.43 %	73.84 %	85.40 %	79.47 %	76.83 %	75.05 %	76.72 %
School System's Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

The amounts presented for each fiscal year were determined as of the measurement period year-end that was used for the fiscal year. For MSRPS, the measurement period year-end is one year prior to the fiscal year-end.

See accompanying Notes to Required Supplementary Information.

**WASHINGTON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL SYSTEM'S PENSION CONTRIBUTIONS
EMPLOYEE RETIREMENT AND PENSION SYSTEM
MARYLAND STATE RETIREMENT AND PENSION SYSTEM
LAST TEN FISCAL YEARS**

Employee Retirement and Pension System

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Contractually Required Contribution	\$ 1,501,485	\$ 1,745,013	\$ 1,844,557	\$ 1,978,818	\$ 2,210,130	\$ 2,255,527	\$ 2,569,261	\$ 2,796,482	\$ 3,229,369	\$ 3,737,786
Contributions in Relation to the Contractually Required Contribution	(1,501,485)	(1,745,013)	(1,844,557)	(1,978,818)	(2,210,130)	(2,255,527)	(2,569,261)	(2,796,482)	(3,229,369)	(3,737,786)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's Covered Payroll	\$ 19,393,397	\$ 20,385,666	\$ 20,603,127	\$ 21,026,643	\$ 21,349,817	\$ 23,596,566	\$ 24,523,294	\$ 26,703,510	\$ 28,116,190	\$ 29,101,598
Contributions as a Percentage of Covered Payroll	7.74%	8.56%	8.95%	9.41%	10.35%	9.56%	10.48%	10.47%	11.49%	12.84%

Teachers Retirement and Pension System

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2025
Contractually Required Contribution	\$ 4,387,336	\$ 4,533,245	\$ 4,359,147	\$ 6,377,926	\$ 6,391,193	\$ 6,528,971	\$ 8,063,604	\$ 8,257,941	\$ 8,550,091	\$ 9,634,610
Contributions in Relation to the Contractually Required Contribution	(4,387,336)	(4,533,245)	(4,359,147)	(6,377,926)	(6,391,193)	(6,528,971)	(8,063,604)	(8,257,941)	(8,550,091)	(9,634,610)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School System's Covered Payroll	\$ 138,921,228	\$ 140,452,528	\$ 140,868,952	\$ 143,236,689	\$ 153,128,551	\$ 158,189,031	\$ 166,913,109	\$ 174,764,416	\$ 186,392,727	\$ 192,352,181
Contributions as a Percentage of Covered Payroll	3.16%	3.23%	3.09%	4.45%	4.17%	4.13%	4.83%	4.73%	4.59%	5.01%

See accompanying Notes to Required Supplementary Information.

WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2026

NOTE 1 RECONCILIATION OF BUDGETARY BASIS TO GAAP

Actual results of operations are presented in the budgetary comparison schedule on the budgetary basis of accounting, in order to provide a meaningful comparison of actual results with budgetary estimates. Under the budgetary basis, encumbrances are recorded as the equivalent of expenditures, as opposed to only an assignment of fund balance as on GAAP basis. With respect to capital leases, the School System recognizes the annual debt service requirements as a current expense for budgetary purposes. Capital lease proceeds and the retirement contributions made by the State on behalf of the School System, and donations of fixed assets received are not recognized as revenue and current expense on budget basis.

	Revenues and Other Financing Sources	Expenditures, Encumbrances, and Transfers	Current Year Effect on Fund Balance
Unrestricted Current Expense Fund			
Budgetary Basis	\$ 372,237,404	\$ 366,831,089	\$ 5,406,315
Budget to GAAP Reconciliation			
Prior Year Encumbrances Expended During			
Current Year	-	6,866,411.00	(6,866,411)
Adjust for Prior Year Encumbrances		(38,954)	38,954
Retirement Contribution Made by the State on			-
Behalf of the School System	21,562,646	21,562,646	-
Scholarships	49,510	51,262	(1,752)
On-Behalf Contributions for Student			-
Health Services	438,335	438,335	-
Donations Fixed Assets and Materials			-
Received	11,357	11,357	-
Proceeds from Sale of Capital Assets	(20,190)	-	(20,190)
Lease & SBITA Financing Proceeds		339,614	(339,614)
Current Year Encumbrances Outstanding,			-
June 30, 2026	-	(6,129,375)	6,129,375
Revenues From Restricted Current			-
Expense Fund	44,307,770	-	44,307,770
Expenditures from Restricted Current			-
Expense Fund	-	47,835,658	(47,835,658)
School Activity Fund	2,928,486	2,481,017	447,469
Fringe Benefit Fund	775,850	795,971	(20,121)
Transfers out to Other Funds Included in			-
Budgetary Expenses		(391,097)	391,097
Total Reconciling Items	<u>70,053,764</u>	<u>73,822,845</u>	<u>(3,769,081)</u>
Current Expense Fund - GAAP Basis	<u>\$ 442,291,168</u>	<u>\$ 440,653,934</u>	<u>\$ 1,637,234</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2026**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING

The School System generally follows these procedures in establishing the budgetary data reflected in the required supplementary information:

Operating Budget

Unrestricted Current Expense Fund

1. Budget meetings with program and department management are held to review the current budget annually, seeking input on changes for the upcoming year. The requests are based upon needs identified in the School System's approved five-year Master Plan.
2. The proposed budget is made available to the public and the County Government in February/March.
3. Public hearings are held to obtain comments from the community.
4. The proposed operating budget is submitted to the County Commissioners in late March or early April.
5. After approval or adjustment by the County Commissioners, the final operating budget is generally approved by the School System in June.
6. Budgets are adopted on a basis consistent with GAAP except for: (1) the inclusion of encumbrances and operating transfers as expenditures, (2) annual debt service requirements on leases which are recognized as a current expense in the General Fund, (3) capital lease proceeds and corresponding acquisition costs which are not recognized as another financing source and current expense, (4) occasionally the inclusion of the previous years' unexpended budgetary appropriations as revenue, (5) retirement contributions made by the State on behalf of the School System are not recognized as revenue and current expense, and (6) the value of donated fixed assets is not recognized as revenue and current expense.
7. Requests for transfers between major categories must be submitted to the County Commissioners for approval or denial. No action within thirty (30) days of submission constitutes approval.

Budgetary comparisons presented in the required supplementary information are on a non-GAAP budgetary basis.

Restricted Current Expense Fund

The restricted current expense fund accounts for certain federal and state programs, student activity programs, and the School System's scholarship programs, which are not part of the operating budget. For the federal and state programs, revenues are recognized at the same time as the related expenditures.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2026**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Capital Budget

Capital Projects Fund

School construction is budgeted on a project basis with funds primarily provided by the state of Maryland and Washington County bonds. Revenues from the bond proceeds and grants are earned when all significant terms of the proceeds have been met. Such terms are generally met at the time of expenditure. Annual budgetary comparisons to actual expenditures are not presented in the required supplementary information for the Capital Projects Fund.

**WASHINGTON COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2026**

NOTE 2 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Actual Budget Results

	General Fund Over (Under)
Revenues	
Differences - Original Budget to Final Budget	\$ 632,391
Interest Income - Rates continued to stay flat with economy in question	900,000
State Private PreK Revenue - Private PreK revenue did not pass through Washington County Public Schools (WCPS) this year, it went directly to the county	(312,147)
Differences - Final Budget to Actual	1,085,729
Non-Public Revenue - The cost share for non-public special education shifted more cost to the counties this year; however, due to increased expense WCPS still received more revenue than anticipated	281,782
Worker's Compensation Pool Reimbursement - WCPS is part of a pool for worker's compensation, the investments in the pool did very well, thus reimbursements were issued to members	500,000
Expenditures	
Differences - Original Budget to Final Budget	632,391
Non-Public Expenditures - The amount WCPS pays for special ed students in Non-Public institutions came in higher than historically	450,000
Electricity - This was bid out in a subsequent budget year and the inflationary cost was higher than originally anticipated	835,000
Small Computer Equipment - WCPS didn't use the full amount of the normal Chromebook replacement cycle due to the amount of Chromebooks in reserve	(677,935)
Differences - Final Budget to Actual	(4,320,587)
Small Computer Equipment - WCPS didn't use the full amount of the normal Chromebook replacement cycle due to the amount of Chromebooks in reserve. This was a board decision that occurred later in the year.	(723,653)
Instructional Materials - WCPS had some savings with materials as well as the ability to use Transitional Supplemental Instruction funds to reduce the spend required in the general fund this fiscal year	(692,395)
Salary Savings and Additional Pay - Personnel savings resulted from staffing changes and lower utilization of budgeted additional pay, exceeding the level of savings typically experienced.	(2,568,182)

Note: The items presented above represent significant factors contributing to the budgetary variance and are not intended to constitute a complete reconciliation

OTHER SUPPLEMENTARY INFORMATION

**WASHINGTON COUNTY BOARD OF EDUCATION
COMBINING BALANCE SHEET
GENERAL FUND
JUNE 30, 2026**

	Current Expense		Combined
	Unrestricted	Restricted	
ASSETS			
Cash and Cash Equivalents	\$ 30,626,564	\$ -	\$ 30,626,564
Investments	28,958,359	-	28,958,359
Due From Other Governments	6,415,734	3,280,086	9,695,820
Due from Other Funds	3,422,379	848,818	4,271,197
Accounts Receivable	1,542,678	353,952	1,896,630
Inventories	86,019	-	86,019
Prepaid Items	756,618	42,553	799,171
Total Assets	<u>\$ 71,808,351</u>	<u>\$ 4,525,409</u>	<u>\$ 76,333,760</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 2,186,637	607,400	\$ 2,794,037
Accrued Liabilities	24,074,622	1,495,681	25,570,303
Due to Other Funds	193,287	-	193,287
Unearned Revenue	-	3,642,933	3,642,933
Total Liabilities	<u>26,454,546</u>	<u>5,746,014</u>	<u>32,200,560</u>
FUND BALANCES			
Nonspendable	885,190	-	885,190
Restricted	1,582,504	(1,220,605)	361,899
Committed	1,221,129	-	1,221,129
Assigned	11,471,508	-	11,471,508
Unassigned	30,193,474	-	30,193,474
Total Fund Balances	<u>45,353,805</u>	<u>(1,220,605)</u>	<u>44,133,200</u>
Total Liabilities and Fund Balances	<u>\$ 71,808,351</u>	<u>\$ 4,525,409</u>	<u>\$ 76,333,760</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND
YEAR ENDED JUNE 30, 2026**

	Current Expense		
	Unrestricted	Restricted	Combined
REVENUES			
Local	\$ 120,567,352	\$ -	\$ 120,567,352
State Maryland	270,344,103	17,235,277	287,579,380
Federal Government	-	25,761,458	25,761,458
Tuition	169,877	-	169,877
Investment Income	1,939,899	-	1,939,899
Other	4,962,167	1,311,035	6,273,202
Total Revenues	397,983,398	44,307,770	442,291,168
EXPENDITURES			
Administration	8,289,612	1,098,850	9,388,462
Mid-Level Administration	23,082,701	435,423	23,518,124
Instructional Salaries	134,223,863	10,803,729	145,027,592
Instructional Textbooks and Supplies	7,345,393	1,744,901	9,090,294
Other Instructional Costs	7,472,339	(328,461)	7,143,878
Special Education	37,309,771	6,918,800	44,228,571
Student Personnel Services	1,387,289	4,639,164	6,026,453
Student Health Services	5,056,883	2,339,661	7,396,544
Student Transportation Services	18,219,718	407,070	18,626,788
Operation of Plant	31,028,763	806,830	31,835,593
Maintenance of Plant	8,963,977	8,198,950	17,162,927
Community Services	144,541	1,030,752	1,175,293
Fixed Charges	108,585,942	9,739,989	118,325,931
Capital Outlay	914,215	-	914,215
Debt Service	-	-	-
Principal	651,808	-	651,808
Interest	141,461	-	141,461
Total Expenditures	392,818,276	47,835,658	440,653,934
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,165,122	(3,527,888)	1,637,234
OTHER FINANCING SOURCES (USES)			
Transfers Out	(223,628)	(167,469)	(391,097)
Lease and SBITA Financing Proceeds	339,614	-	339,614
Proceeds from Sale of Assets	20,190	-	20,190
Total Other Financing Sources	136,176	(167,469)	(31,293)
NET CHANGES IN FUND BALANCES	5,301,298	(3,695,357)	1,605,941
Fund Balances - Beginning of Year	40,052,507	2,474,752	42,527,259
FUND BALANCES - END OF YEAR	<u>\$ 45,353,805</u>	<u>\$ (1,220,605)</u>	<u>\$ 44,133,200</u>

**WASHINGTON COUNTY BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2026**

	Current Expense		Combined
	Unrestricted	Restricted	
REVENUES			
Local	\$ 120,412,352	\$ -	\$ 120,412,352
State Maryland	248,498,122	17,316,383	265,814,505
Federal Government	-	21,243,677	21,243,677
Tuition	195,969	-	195,969
Investment Income	1,928,078	-	1,928,078
Other	1,202,883	1,308,902	2,511,785
Total Revenues	372,237,404	39,868,962	412,106,366
EXPENDITURES			
Administration	8,357,758	1,098,850	9,456,608
Mid-level Administration	23,028,947	444,815	23,473,762
Instructional Salaries	134,102,105	10,076,915	144,179,020
Instructional Textbooks and Supplies	6,782,681	1,801,803	8,584,484
Other Instructional Costs	6,844,304	827,089	7,671,393
Special Education	35,654,972	6,924,230	42,579,202
Student Personnel Services	3,037,147	4,637,433	7,674,580
Student Health Services	4,613,449	2,339,661	6,953,110
Student Transportation Services	15,582,068	391,173	15,973,241
Operation of Plant	31,993,047	810,402	32,803,449
Maintenance of Plant	9,207,975	7,426,353	16,634,328
Fixed Charges	86,145,382	9,312,957	95,458,339
Capital Outlay	595,295	-	595,295
Food Service Transfers	885,959	167,469	1,053,428
Community Services	-	1,024,294	1,024,294
Total Expenditures	366,831,089	47,283,444	413,090,239
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,406,315	(7,414,482)	(983,873)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources	-	-	-
NET CHANGES IN FUND BALANCES	<u>\$ 5,406,315</u>	<u>\$ (7,414,482)</u>	<u>\$ (983,873)</u>



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